



2020 ANNUAL REPORT

(Translated from the original French)

July 16, 2021

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The Chairman

During the 2020 fiscal year, the economies of the West African Monetary Union (WAMU) operated in a particularly difficult environment marked by the COVID-19 health crisis. The macroeconomic situation of the Member States deteriorated significantly, with a growth rate of 1.5%, compared with 5.7% in 2019.

This context prompted the Union's monetary and supervisory authorities to introduce a series of measures in the early months of the pandemic to mitigate the impact of the health crisis on the banking sector and the financing of the Union's economies.

Accordingly, the Central Bank of West African States (BCEAO) significantly increased liquidity and lowered its key interest rates to ensure that banks continued to provide adequate financing to the Union's economies. It also facilitated the launch of "COVID-19 Bonds" to enable WAMU Member States to raise significant amounts of money at a moderate cost on the regional financial market.

In addition, the regulatory and supervisory authorities of the Union have introduced regulatory and prudential flexibility by authorizing credit institutions and microfinance institutions (MFIs) to grant clients affected by the pandemic who so request, deferrals on loan maturities for a period of three months, once renewable, without interest charges, fees or late payment penalties. The loans to which these deferrals apply are not included in overdue loans, with the corresponding accounting and prudential treatment.

On the prudential front, the WAMU Council of Ministers, upon a recommendation by the Central Bank, eased the prudential framework applicable to credit institutions and financial companies by postponing by one year, from 2022 to 2023, the end of the transition period for the application of the regulatory thresholds relating to minimum equity requirements. This decision allowed the banking sector to maintain the prudential requirements in force in 2019 for 2020.

These support measures contributed to preserving the soundness of the banking sector and the financing of economies in 2020.

Indeed, the average levels of the solvency ratios for both credit institutions and large-scale microfinance institutions were higher than the minimum standards in force.

Significant progress was achieved in the regulatory area in 2020 with the issuance by the Banking Commission of Circulars on preventive recovery plans for regulated institutions, on the handling of complaints from customers of regulated institutions and on the terms and conditions of application of the banking crisis resolution framework in the Union.

In addition, the WAMU supervisory authority identified and published a list of Systemically Important Financial Institutions (SIFIs) at the national and regional levels in 2020, based on the methodology adopted and disseminated by the Central Bank.

Despite the drop in the number of on-site audit missions due to the preventive measures taken by the States and the Central Bank as a result of the COVID-19 pandemic, the overall execution rate of the audit program for 2020 was 63.2%.

2021 should see a gradual return to normal for on-site audits, which will be more risk-oriented.

In addition, the WAMU crisis resolution framework will be fully operational in 2021. Following the production of the first preventive recovery plans and after the adoption in 2020 of the Circular on the terms and conditions of application of the banking crisis resolution scheme, the Resolution College will draw up the initial resolution plans for the institutions subject to this initiative.

Finally, the process of modernizing the supervisory framework and tools will continue, with, in particular, the implementation of an IT application for documentary audits of regulated entities and the development of specific tools for the supervision of MFIs.

Tiémoko Meyliet Koné

Governor of the Central Bank
of West African States,

.....Chairman of the WAMU Banking Commission



Tiémoko Meyliet Koné

Governor of the Central Bank of West African States,
Chairman of the WAMU Banking Commission

SUPERVISORY COLLEGE AS AT DECEMBER 31, 2020







Chairman: Tiémoko Meyliet Koné
Governor of the BCEAO



MEMBERS REPRESENTING THE STATES

MEMBERS APPOINTED BY THE COUNCIL OF MINISTERS

BENIN	 <p>Mr. Clément Yaovi Aziagnikouda</p> <p><i>Director of Treasury at the General Directorate of the Treasury and Public Accounts at the Ministry of the Economy and Finance of Benin</i></p>	 <p>Mr. Epiphane Adjovi</p> <p><i>Economist</i></p>
	 <p>Mr. Célestin Santéré Sanon</p> <p><i>Director General of Treasury and Public Accounting at the Ministry of the Economy, Finance and Development of Burkina Faso</i></p>	 <p>Mr. Moussa Jean Christophe Milogo</p> <p><i>Jurist</i></p>
CÔTE D'IVOIRE	 <p>Mr. Konan Jacques Assahoré</p> <p><i>Director General of Treasury and Public Accounting at the Ministry of the Economy and Finance of Côte d'Ivoire</i></p>	 <p>Mr. Tiépori N'Golo Coulibaly</p> <p><i>Economist</i></p>
	 <p>Ms. Maria Bona GANÓ SÓ</p> <p><i>Director General, Supervision of Financial and Insurance Activities, Ministry of Economy and Finance of Guinea-Bissau</i></p>	 <p>Mr. Numna Gorky Mendes de Medina</p> <p><i>Jurist</i></p>

	MEMBERS REPRESENTING THE STATES	MEMBERS APPOINTED BY THE COUNCIL OF MINISTERS
MALI	 <p>Mr. Sidi Almoctar Oumar <i>National Director of Treasury and Public Accounting at the Ministry of the Economy and Finance of Mali</i></p>	 <p>Mr. Boubacar Touré <i>Financial and Accounting Auditor</i></p>
NIGER	 <p>Mr. Ibrahim Sofo Magagi <i>Director of Currency, Credit and Savings at the Ministry of Finance of Niger</i></p>	 <p>Mr. Zouladaïni Malam Gata <i>Public Financial Inspector</i></p>
SENEGAL	 <p>Mr. Moussa Touré <i>Director of Currency and Credit at the Ministry of Economy, Finance and Planning of Senegal</i></p>	 <p>Mr. Amadou Sadickh Diop <i>Economist</i></p>
TOGO	<p>(Vacant position)</p>	<p>Mr. Afanou Kodjo Théophile Locoh <i>Corporate Director</i></p>

SECRETARY GENERAL





Mr. Antoine Traoré
Secretary General of the Banking Commission

RESOLUTION COLLEGE AS AT DECEMBER 31, 2020

Chairman: Tiémoko Meyliet Koné
Governor of the BCEAO



Representative of the State holding the Chairmanship of the WAMU Council of Ministers in the Supervisory College	<i>(Vacant position)</i>
Director of the West African Monetary Union Deposit Guarantee and Resolution Fund (FGDR- UMOA)	 Mr. Habib Soumana <i>Director, FGDR-UMOA</i>
Member appointed by the WAMU Council of Ministers	 Mr. Akuété Santos <i>Associate Professor of Law</i>

OFFICE OF THE SECRETARY GENERAL



Mr. Antoine Traoré
*Secretary General of the
Banking Commission*

N.B.: When a regulated institution is subject to a resolution procedure, the Representative of the Supervisory College of the State where it is located is invited to participate in the proceedings as a non-permanent voting member.

HIGHLIGHTS OF 2020

January 23-24

Consultation meeting with MFI supervisory authorities on the draft bill on microfinance regulation in Dakar, Senegal

January 30-31

High-level meeting on strengthening financial sector supervision in Africa and priorities of regulatory authorities in Cape Town, South Africa

February 6

Official signing ceremony and launch of the activities of the Project to Accelerate the Sustainable Development of the Regional Financial Market in Abidjan, Côte d'Ivoire

February 6-14

36th Meeting of the College of Supervisors of the West African Monetary Zone (WAMZ) in Freetown, Sierra Leone

February 10-11

International conference on capital markets in Abidjan, Côte d'Ivoire

February 24

Meeting on the Franc Zone Liaison Committee on Money Laundering (CLAB) in Yaoundé, Cameroon

March 5

16th ordinary session of the WAMU Financial Stability Committee in Dakar, Senegal

March 9

1st meeting of the Macprudential Policy Committee in Dakar, Senegal

March 27

119th session of the Supervisory College of the WAMU Banking Commission

March 27

3rd meeting of the WAMU Banking Commission's Resolution College

March 30-April 4

Meeting of the Working Group on Banking Crisis Resolution and Fintech in Abuja, Nigeria

March 20

Extraordinary session of the WAMU Council of Ministers

June 23

120th session of the Supervisory College of the WAMU Banking Commission

June 26

Ordinary session of the WAMU Council of Ministers

June 30

High-level seminar for Africa on regulatory responses to the COVID-19 crisis, organized by the Financial Stability Institute and the Basel Committee

August 24-28

33rd meeting of the Technical Commission of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA)

August 26

17th ordinary session of the WAMU Financial Stability Committee

August 31-September 3

37th meeting of the WAMZ College of Supervisors

September 3

Ordinary session of the WAMU Council of Ministers

September 18

121st session of the Supervisory College of the WAMU Banking Commission

October 16-18

Annual meetings of the IMF and the World Bank in Washington

October 15

6th meeting of the College of Supervisors of Oragroup

October 19-22

21st International Conference of Banking Supervisors

October 20

Meeting of the Liaison Committee on Money Laundering (CLAB)

October 29-30

6th meeting of the College of Supervisors of the Ecobank group

November 2

Meeting of Finance Ministers and Governors of WAMU, CEMAC and Comoros

<p>November 3</p> <p>8th annual meeting between the WAMU SGCB and the General Secretariat of the Central African Banking Commission</p>	<p>December 7</p> <p>Meeting of the Francophone Banking Supervisors Group (GSBF)</p>
<p>November 9</p> <p>Regional consultation pursuant to article IV of the statutes of the IMF</p>	<p>December 9</p> <p>122nd session of the Supervisory College of the WAMU Banking Commission</p>
<p>November 23</p> <p>Technical meeting on the BCEAO-Banque de France cooperation program</p>	<p>December 9</p> <p>4th meeting of the WAMU Banking Commission's Resolution College</p>
<p>November 25-26</p> <p>5th set of meetings between the SGCB and the CEOs and Statutory Auditors of credit institutions of the WAMU Union</p>	<p>December 10</p> <p>Ordinary session of the WAMU Council of Ministers</p>
<p>December 2-11</p> <p>GIABA technical commissions and plenary meeting</p>	<p>December 14</p> <p>18th ordinary session of the WAMU Financial Stability Committee</p>

KEY FIGURES IN 2020

A. KEY FIGURES OF THE BANKING SYSTEM

A.1. Trends in the WAMU banking landscape between 2018 and 2020

WAMU	2018	2019	2020	Relative change 2020/2019
Licensed credit institutions	147	153	152	-0.7%
Banks	128	132	131	-0.8%
<i>Including branches</i>	21	21	21	0%
Bank-like financial institutions	19	21	21	0%
<i>Including branches</i>	4	4	4	0%
Credit institutions in operation ^(*)	143	148	149	0,7%
Majority state-owned banks	10	16	16	0%
BANKING NETWORK				
Windows (branch offices and outlets)	3,629	3,649	3,762	3.1%
Automated Teller Machines	3,206	3517	3,676	4.5%
Number of employees of the banking system	31,005	31,939	32,664	2.3%
Number of customer accounts	12,532,936	13,613,849	15,414,253	13.2%
BANKING GROUPS AND FINANCE COMPANIES IN OPERATION				
Banking groups operating in the WAMU Union	29	29	32	10,0%
Finance companies operating in the WAMU Union	10	16	17	6,3%
<i>Including financial holding companies</i>	8	12	13	8,3%
<i>Intermediate financial holding companies</i>	2	4	4	0%

(*) Including branch offices

Source: General Secretariat of the WAMU Banking Commission

A.2. Activity indicators of credit institutions on an unconsolidated basis

Amounts in billions of CFA F

WAMU	2018	2019	2020 ^(*)	Relative change 2020/2019
Balance sheet total	37,639.7	41,559.2	47,718.5	14.8%
Credit	20,849.1	23,069.2	24,981.1	8.3%
Other banking assets	11,846.3	13,016.8	16,479.5	26.6%
Deposits and borrowings	25,119.2	28,204.1	33,007.3	17.0%
Equity and similar resources	3,204.8	3,672.6	4,147.0	12.9%
Other resources	1,426.4	1,536.4	1,537.4	0.1%
Net banking income	1,971.8	2,174.8	2,347.7	8.0%
Gross operating income	720.3	815.4	939.1	15.2%
Net result	379.4	460.6	551.8	19.80%

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

A.3. Key ratios of credit institutions on an unconsolidated basis

WAMU	2018	2019	2020 (*)	Absolute change 2020/2019
Gross non performing loan (NPL) rate	12.5%	11.8%	10.9%	-0.9
Net NPL rate	5.1%	4.7%	3.8%	-0.9
Ratio of coverage of overdue loans	62,2%	62.8%	67.5%	4.7
Aggregate margin	5.2%	5.2%	5.0%	-0.2
Net cost-to-income ratio	68.0%	66.7%	64.3%	-2.4

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

A.4. Main prudential solvency indicators of the banking system

Amounts in billions of CFA F

WAMU	2018	2019	2020 (*)	Change 2020/2019
Total Capital	2,565.9	2,873.4	3,284.0	14.0%
Risk-weighted assets	23,662.0	24,865.1	26,473.5	6.0%
Total solvency ratio (%)	10.8%	11.6%	12.4%	0.8
Risk concentration limit (%)	64.4%	67.9%	60.5%	-7.5
Leverage ratio (%)	6.3%	6.2%	6.4%	0.2

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

A.5. Financial company activity indicators

Amounts in billions of CFA F

WAMU	2018	2019	2020 (*)	Relative change 2020/2019
Balance sheet total	27,970.4	29,692.0	33,177.6	11.7%
Loans and advances to customers	13,524.5	13,848.3	14,842.2	7.2%
Customer deposits	18,579.3	19,671.8	22,321.1	13.5%
Equity	2,289.2	2,415.8	2,528.3	4.7%
Net banking income	1,822.1	1,759.9	1,905.0	8.2%
Net result	603.1	311.6	212.7	-31.7%
<i>Including the share of the Group</i>	<i>506,6</i>	<i>218,7</i>	<i>107.5</i>	<i>-50.8%</i>
<i>Minority interests</i>	<i>96,5</i>	<i>92,9</i>	<i>105.2</i>	<i>13.3%</i>

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

A.6. Main prudential indicators of financial companies

Amounts in billions of CFA F

WAMU	2018	2019	2020 (*)	Change 2020/2019
Total capital	1,978.2	2,395.4	2,302.8	-3.9%
Risk-weighted assets	16,179.9	18,287.5	18,913.1	3.4%
Total solvency ratio (%)	12.2%	13.1%	12.2%	-0.9
Risk concentration limit (%)	24.3%	32.0%	29.0%	-3.0
Leverage ratio (%)	6.8%	7.0%	5.7%	-1.3

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

B. KEY FIGURES FOR MFIs SUBJECT TO ARTICLE 44¹

B.1. Trends in the landscape of MFIs subject to Article 44 between 2018 and 2020

WAMU	2018	2019	2020	Relative change 2020/2019
MFIs supervised by the Banking Commission	158	174	188	8.0%
• Networks and Individual Institutions	70	75	84	12.0%
- Companies	22	25	27	8.0%
- Associations	8	8	8	0%
- Networks	23	24	24	0%
- Non-affiliated Mutual or Cooperative Savings and Credit Institutions (IMCEC)	17	18	25	38.9%
• Basic banks affiliated with a network	88	99	104	5.1%

Source: General Secretariat of the WAMU Banking Commission

B.2. Financial activity indicators of MFIs subject to Article 44

Amounts in billions of CFA F

WAMU	2018	2019	2020 (*)	Relative change 2020/2019
Balance sheet total	1,909.8	2,347.9	2,561.0	9.1%
Loans to customers	1,082.9	1,371.1	1,454.3	6.1%
Other uses	232.4	308.0	331.7	7.7%
Deposits and borrowings	897.1	1,117.8	1,225.8	9.7%
Total equity capital	362.3	530.0	564.7	6.6%
Other resources	106.6	130.8	142.3	8.8%
Net financial income	201.2	255.8	257.4	0.6%
Net result	8.9	30.3	18.8	-38.0%

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

B.3. Financial activity indicators of DFSs subject to Article 44

WAMU	2018	2019	2020 (*)	Absolute change 2020/2019
Gross NPL ratio	4.8%	3.9%	9.2%	5.3
Net NPL ratio	3.4%	3.1%	8.1%	5.0
Ratio of coverage of overdue loans	29.1%	20.4%	12.2%	-8.2
Profit margin	0.2%	7.7%	3.8%	-3.9
Cost-to-income ratio	78.1%	76.5%	76.6%	0,1

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

¹ According to the provisions of Article 44 of the Law on the Regulation of Decentralized Financial Systems and those of Instruction No. 007-06-2010 of the BCEAO relating to the modalities of supervision and sanctioning of DFSs by the BCEAO and the WAMU Banking Commission, the Central Bank and the Banking Commission shall proceed, after informing the Minister, with the supervision of any microfinance institution whose business transactions reach a minimum level of two (2) billion in outstanding deposits or loans at the end of two (2) consecutive fiscal years.

B.4. Main prudential indicators of MFIs subject to Article 44

Amounts in billions of CFA F

WAMU	2018	2019	2020 (*)	Change 2020/2019
Equity capital	236	416	389	-6.4%
Risk-weighted assets	1026	1794	1 771	-1.3%
Capitalization ratio (%)	19.3%	22.6%	22.9%	0.3
Liquidity ratio (%)	100.3%	107.2%	100%	-7.2

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

C. KEY FIGURES OF LICENSED ELECTRONIC MONEY ISSUING INSTITUTIONS (EMIs)

C.1. Trends in the EMI landscape between 2018 and 2020

WAMU	2018	2019	2020	Relative change 2020/2019
Licensed electronic money institutions	8	10	12	20.0%

Source: General Secretariat of the WAMU Banking Commission

C.2. EMI activity indicators

WAMU	2018	2019	2020 (*)	Relative change 2020/2019
Number of accounts opened	37,001,348	51,009,424	66,711,457	30.8%
Number of active accounts	17,917,236	24,284,589	30,204,737	24.4%
Number of non-active accounts (**)	19,084,112	26,724,835	36,505,634	36.6%
Number of transactions	1,715,269,383	2,201,664,002	3,628,009,604	64.8%
Value of the transactions (in billions of CFA F)	20,704	25,908	34,915	34.8%
Number of service points (ATMs, POS terminals, etc.)	281,977	439,585	539,310	22.7%
Number of active service points	189,461	276,840	361,191	30.5%

(*) Preliminary figures

(**) Accounts with no transactions over the past 90 days

Source: General Secretariat of the WAMU Banking Commission

C.3. Main prudential indicators of EMIs

WAMU	2018	2019	2020	Change 2020/2019
Coverage ratio ($\geq 3\%$)	11,5%	26.1%	23.7%	-2.4
Hedge ratio ($\geq 100\%$)	122,3%	84.5%	82.8%	-1.7
Electronic money investment ratio ($\leq 25\%$)	26,0%	15.0%	16.9%	1.9

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

SUMMARY OF THE REPORT

In 2020, the WAMU banking system operated in a context marked by the outbreak of the COVID-19 pandemic. The Union's real gross domestic product (GDP) grew by 1.5% in 2020 compared to 5.7% in 2019.

The number of licensed credit institutions in the Union fell by one (1) unit to one hundred and fifty-two (152) at the end of 2020. One hundred and forty-nine (149) of these institutions were active in 2020, as three (3) credit institutions approved during the year had not yet begun operating.

The number of banking groups operating in the Union increased by three (3) units, from twenty-nine (29) in 2019 to thirty-two (32) as at the end of 2020. The number of financial companies reached seventeen (17) in 2020 against sixteen (16) in 2019.

The banking network continued to expand. Indeed, the banking system had a total of 3,676 ATMs, up by 159 units (+4.5%) compared to 2019.

The number of customer accounts and the number of staff members, as well as the number of branches, offices and points of sale, increased by 13.2%, 2.3% and 3.1% respectively during the period under review.

The total balance sheet of operating credit institutions amounted to 47,718.5 billion,² representing 14.8% growth over 2019.

Net uses³ increased by 14.9% to 41,460.7 billion, including 60.3% in loans to customers and 25.9% in investment securities. Gross and net non performing loans (NPL) ratios were 10.9% and 3.8% respectively in 2020, down from the levels of 11.8% and 4.7% recorded in 2019.

Overall resources mobilized by the banking sector increased by 15.8% to stand at 38,691.7 billion. They were made up of 85.3% of customer deposits and borrowings, up 17.0% over the previous year. Equity and similar resources, which represented 10.7% of total resources, rose by 12.9% to 474.3 billion.

Net Banking Income (NBI) increased by 8.0% to 2,347.7 billion in 2020. As for gross operating income, it stood at 939.1 billion, up 15.2% compared to 2019. Net income, at 551.8 billion, increased by 19.8% compared to 2019. The net cost-to-income ratio dropped to 64.3% in 2020 from 66.7% in 2019.

The average overall solvency ratio of the Union's credit institutions stood at 12.4% in 2020, above the minimum standard of 9.5% required at the end of 2020, as against 11.6% in 2019.

The seventeen (17) WAMU financial companies on the list published by the Banking Commission recorded total assets of 33,117.6 billion, up 11.7% year over year.

Loans and receivables as well as customer deposits with financial companies increased in 2020, respectively by 7.2% and 13.5% as compared to 2019, standing at 14,842.2 billion and 22,321.1 billion.

The overall average solvency ratio of the Union's financial companies was 12.2% in 2020, compared with 13.1% in 2019, down 0.9 percentage point.

In the microfinance sector, the number of micro finance institutions (MFIs) subject to Article 44 of the Law on the regulation of MFIs (networks and individual institutions, as well as basic banks affiliated with networks) supervised by the Banking Commission stood at one hundred and eighty-eight (188) at the end of 2020, compared with one hundred and seventy-four (174) the previous year.

These institutions posted a balance sheet total of 2,561.0 billion, representing an increase of 9.1% compared to the end of 2019. Their net uses increased by 6.4%, reaching 1,786.0 billion at the end of 2020. Their resources increased by 8.7% to reach 1,932.8 billion. The gross and net NPL ratios stood at 9.2% and 8.1%, respectively, at the end of 2020, up 5.3 percentage points and 5.0 percentage points compared to 2019.

The average capitalization ratio of these MFIs was 22.9% in 2020 compared to 22.6% in 2019, compared to a minimum standard of 15%.

² The reference currency throughout this report is the CFA franc, unless otherwise indicated.

³ Net of provisions

The number of electronic money institutions stood at twelve (12) in 2020 compared to ten (10) the previous year. The number of accounts opened stood at 66,711,457, of which 45.3% were active accounts, compared to 50,593,941 at the end of 2019, with 47.7% active accounts. In terms of volume, 3,628,009,604 transactions were carried out through cell phones, worth a total amount of 34,914.8 billion as at the end of 2020.

Coverage, hedge and investment ratios stood at 23.7%, 82.8% and 16.9% respectively, against 26.1%, 84.5% and 15.0% in 2019.

In terms of its activities, the WAMU Banking Commission held six (6) ordinary sessions during the year 2020, four (4) pertaining to the Supervisory College and two (2) to the Resolution College.

Within the framework of permanent consultation with the banking profession, the Supervisory Authority organized, by videoconference, the fifth set of meetings with General Managers and statutory auditors of credit institutions and financial companies. It also granted twenty-five (25) audiences to managers of regulated institutions and banking groups.

In terms of cross-border supervision of banking groups established in the Union, the General Secretariat of the Banking Commission (SGCB) conducted the sixth set of meetings of the Colleges of Supervisors of Oragroup and the Ecobank group. These annual meetings allowed the various members to exchange their views on the activities and risk profiles of the entities belonging to the said groups and to review the status of the implementation of the recommendations of previous meetings.

In addition, despite the health context, thirty-one (31) audit missions were carried out by the SGCB in 2020: twenty-two (22) audits of credit institutions, one (1) audit of an electronic money institution and eight (8) inspections of MFIs subject to Article 44. The completion rate was 63.2%.

The SGCB also contributed to the work carried out in preparation for the 17th and 18th ordinary sessions of the WAMU Financial Stability Committee (WAMU-FSC). It notably focused on defining macroprudential surveillance indicators, mapping financial system risks, and identifying and analyzing key vulnerabilities that could affect the resilience of the financial sector.

I. PRESENTATION OF THE WAMU BANKING COMMISSION



1.1 ROLES AND RESPONSIBILITIES OF THE BANKING COMMISSION

1.1.1. Remit and operations

Pursuant to the provisions of Article 2 of the Convention governing the Banking Commission, the Commission is responsible for ensuring the soundness and security of the WAMU banking system, in particular through the supervision of the regulated institutions (credit institutions, financial companies, MFIs and electronic money institutions) and the resolution of banking crises. It ensures the protection of depositors and contributes to maintaining the stability of the regional financial system.

Since January 1, 2018, the Banking Commission has been structured around two (2) decision-making bodies, the Supervisory College and the Resolution College.

The Banking Commission is chaired by the Governor of the BCEAO. It meets on an as-needed basis, at the initiative of its Chairperson or at the request of one third (1/3) of its members, at least twice a year in the case of the Supervisory College and at least once a year in the case of the Resolution College. Decisions are taken by a majority of the votes cast. In the event of a tie, the Chairperson shall have the casting vote.

The decisions of the Banking Commission are enforceable as soon as they are notified to the parties concerned. They may be appealed only before the Council of Ministers of the Union.

Moreover, the Council of Ministers of WAMU is regularly informed by the Banking Commission of the conclusions of its proceedings.

◆ The Supervisory College

This body is responsible, in particular, for the prudential supervision of the regulated institutions, both through document-based and on-site controls.

Its key responsibilities include:

- (a) granting its approval to applications submitted to it for licences and various authorizations and exemptions;
- (b) ensuring, on an ongoing basis, that the regulated institutions are in compliance with the legal and regulatory provisions applicable to their operations;
- (c) monitoring and assessing events that may have negative consequences for the soundness of the Union's banking system;
- (d) ensuring that the regulated institutions comply with their professional obligations arising from any other legislation applicable to them;
- (e) taking, in a timely manner, all administrative measures as well as all disciplinary or financial sanctions aiming to remedy any problems of security or soundness affecting a regulated institution; and
- (f) handling relations with the competent supervisory authorities of the host and home countries of regulated institutions.

Chaired by the Governor of the Central Bank, this College is composed of the following additional members:

- a representative designated or appointed by each WAMU Member State, namely the Director of the Treasury or the Head of the Directorate in charge of credit institutions; and
- members appointed by the WAMU Council of Ministers, on nomination by the Governor of the Central Bank, for their competence in the banking, legal or financial fields or in any other field of expertise deemed to be consistent with the duties involved. Their number is equal to that of the members designated or appointed by the States.

◆ The Resolution College

The College is notably responsible for:

- (a) contributing to the preservation of financial stability;
- (b) ensuring the implementation of crisis prevention measures;
- (c) ensuring the implementation of crisis resolution measures;

- (d) ensuring the continuity of the activities, services and operations of institutions subject to a resolution procedure;
- (e) avoiding or limiting the need for public financial support; and
- (f) protecting the interests of depositors and creditors.

It is chaired by the Governor of the Central Bank and includes the following three (3) additional members:

- a Representative of the State holding the Chairmanship of the WAMU Council of Ministers;
- the Director of the WAMU Deposit Guarantee and Resolution Fund (FGDR-UMOA); and
- a member appointed by the WAMU Council of Ministers, on nomination by the Governor of the Central Bank, for their competence in the banking, legal or financial fields or in any other field of expertise deemed to be consistent with the duties involved.

When a regulated institution is subject to a resolution procedure, the Representative of the Supervisory College of the State where it is located is invited to participate in the proceedings as a non-permanent voting member.

1.1.2. Main instruments governing the activities of institutions subject to the supervision of the Banking Commission

In addition to the common law applicable to commercial companies, the following main instruments regulate the activities of credit institutions, financial companies, decentralized financial systems and electronic money institutions:

- the WAMU Treaty of January 20, 2007;
- the Convention of April 6, 2007 governing the Banking Commission, including its appendix;
- the Uniform Act on banking regulations and its implementing instructions;
- the Uniform Act regulating MFIs, and its implementing decree and instructions;
- the Uniform Act regarding the definition and suppression of usury;
- the Uniform Act on Money Laundering and Terrorist Financing and its implementing instructions;
- the Uniform Act regulating credit information bureaus in the WAMU Member States and its implementing instructions;
- Regulation No. 09/2010/CM/UEMOA of October 1, 2010 on the external financial relations of WAEMU member countries and its implementing instructions;
- Regulation No. 015/2002/CM/UEMOA of September 19, 2002, on payment systems in the WAEMU Member States and its implementing instructions;
- the revised WAMU Banking Chart of Accounts (PCB) and its implementing instructions;
- the Specific Accounting Standards for DFSs (SRSFD) in WAMU;
- the prudential framework applicable to WAMU credit institutions and financial companies in the Union;
- Decision No. 014/24/06/2016/CM/UMOA on the supervision on a consolidated basis of parent credit institutions and financial companies in WAMU;
- Banking Commission Circulars;
- the Instruction governing the terms and conditions of the activities of issuers of electronic money in the Member States of the WAEMU Union; and
- the Instruction on the accounting treatment of electronic money transactions by issuing institutions.

1.2 ORGANIZATION AND ACTIVITIES OF THE GENERAL SECRETARIAT

1.2.1. Organization of the General Secretariat

The Central Bank ensures the provision of secretarial services and covers the operating expenses of the Banking Commission.

The organization of the General Secretariat of the Banking Commission (SGCB), effective at end-2020, revolves around the following bodies:

- Operational Control;
- the Directorate of Crisis Resolution and Legal Affairs (DRCAJ);
- the Directorate of International Relations and Studies (DERI);
- the Directorate of Permanent Supervision (DSP);
- the Directorate of On-Site Inspection of Credit Institutions and Electronic Money Institutions (DCPECEME);
- the Directorate of On-Site Inspection of Decentralized Financial Systems (DCPSFD); and
- the Directorate of General Resources (DMG).

Operational Control, which reports to the Secretary General, is responsible for daily monitoring of the regularity of the SGCB's operations.

The DRCAJ is mainly in charge of monitoring the process of resolving banking crises, drafting the decisions of the Banking Commission and providing legal assistance to all the departments of the SGCB. It is subdivided into two (2) Departments: the Department of Crisis Resolution and Control of Commercial Practices and the Legal Department.

The DERI deals in particular with issues relating to regulations and prudential standards applicable to regulated institutions, the handling of relations with external partners, the conduct of studies pertaining to the stability of the Union's banking system as well as the processing of applications for licences, declarations of intent and prior authorizations. It also coordinates the preparation of the sessions of the WAMU Banking Commission in conjunction with the other Directorates concerned. The DERI is made up of two (2) Departments, namely the Department of Regulatory Monitoring, Methods and International Relations and the Department of Studies, Statistics and Licensing.

The DSP is in charge of the document-based inspection of the individual situation of regulated institutions. It also monitors the implementation of the administrative measures and sanctions taken by the Supervisory Authority, in conjunction with the relevant directorates. The DSP consists of three (3) Departments: the Department for the Supervision of Sub-Regional Banks and Financial Institutions, the Department for Cross-Border Supervision and the Department for the Supervision of Specialized Institutions.

The DCPECEME implements the on-site audit program for credit institutions, financial companies and electronic money institutions. It is organized along the lines of an audit firm. Each on-site audit team is led by Head of missions.

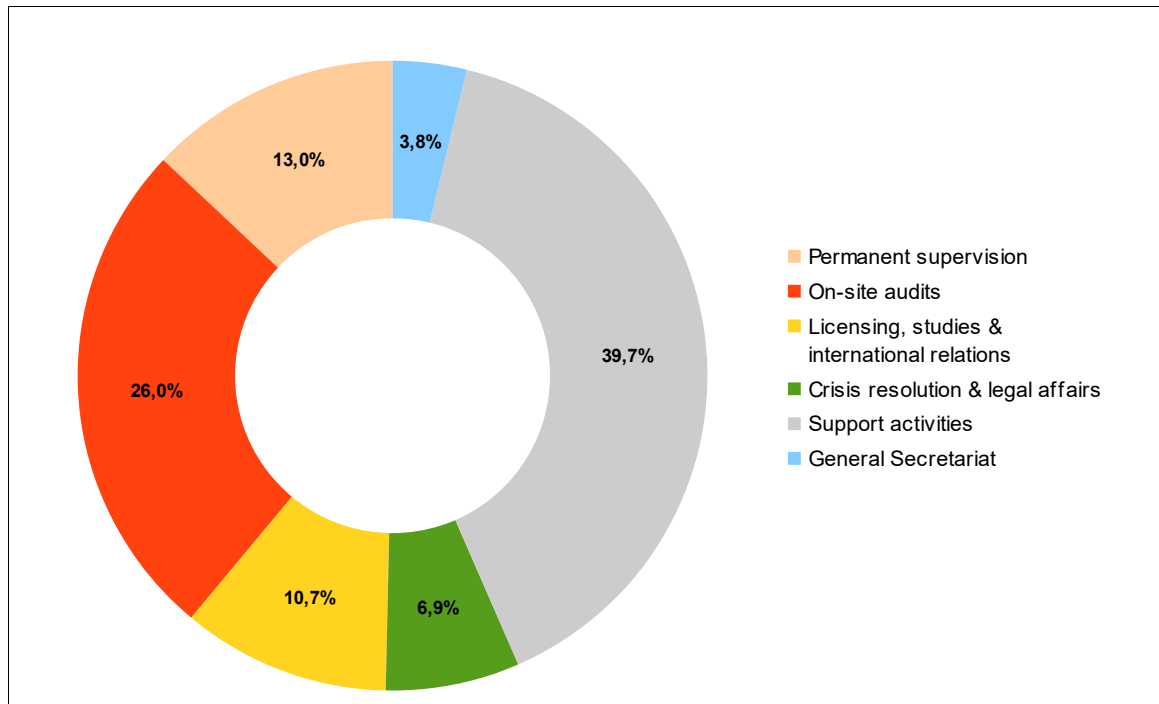
The DCPSFD, which is also organized like an audit firm, is responsible for implementing the MFI inspection program. Each of its on-site audit teams is also headed by an inspection team leader.

The DMG is responsible for managing support services. It has four departments (4): the Administrative Affairs Department, the Human Resources Department, the Accounting and Budget Department and the IT Department.

At the end of the 2020 fiscal year, the staff of the General Secretariat stood at one hundred and thirty-one (131) employees as against one hundred and thirty-two (132) at the end of 2019. Broken down by corps, the staff included, in addition to the Secretary General and the Deputy Secretary General, six (6) Directors, ten (10) Team Leaders with the rank of Director, seventy-eight (78) supervisory staff and thirty-five (35) staff from the administrative and technical staff corps.

Banking supervision activities are carried out by the DRCAJ, DERI, DSP, DCPECEME and DCPSFD. Together, these Directorates totaled seventy-four (74) staff members in 2020, i.e. 56.6% of the workforce, compared with 53.7% in 2019.

Graph 1: Breakdown of the personnel of the SGCB by type of activity in 2020



Source: General Secretariat of the WAMU Banking Commission

1.2.2. Activities of the General Secretariat

The SGCB's activities are mainly focused on the processing of applications for prior authorizations and exemptions from the nationality requirement, documentary audits, on-site audits, audits of commercial practices and various other activities.

1.2.2.1. Prior authorizations

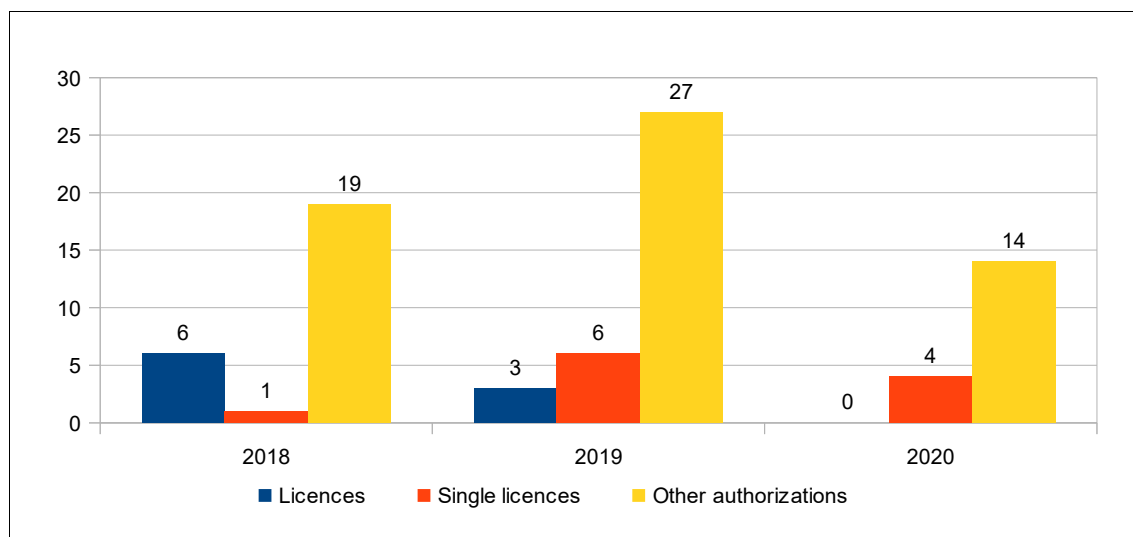
The operations concerned notably included:

- granting and withdrawal of accreditation;
- declarations of intent to set up branches or subsidiaries;
- acquisition or disposal of shareholdings which would result in the interest of any one person, directly or through an intermediary, or of any one group of persons acting jointly, rising above the blocking minority and above the majority of the voting rights in the credit institution, or in the said interest falling below those thresholds;
- modification of the legal form, corporate name or trade name;
- transfer of the registered office to another WAMU Member State;
- merger by absorption or creation of a new company, or demerger;
- early dissolution;
- transfer of more than 20% of assets;
- placing in stewardship or discontinuation of business;
- extension of the activities of bank-like financial institutions; and

- opening of an Islamic branch.

In 2020, eighteen (18) applications were processed in this regard, including four (4) declarations of intent to set up branches (under the single license) and fourteen (14) other applications.

Graph 2: Breakdown of applications for accreditation, licensing and other authorizations from 2018 to 2020



Source: General Secretariat of the WAMU Banking Commission

1.2.2.2. Exemptions from the nationality requirement

An exemption is an exceptional authorization granted to a non-WAMU national by the Banking Commission to allow him/her to exercise the functions of director or manager, for which the legislation in force requires that the applicant possess the nationality of a WAMU Member State.

Exemptions from the nationality requirement are also required in cases where there is no agreement on the residence of nationals of a non-member country, between that country and the country in the Union in which the credit institution where foreign nationals are to work is located. Once obtained, such exemptions allow their beneficiaries, by virtue of the principle of general recognition, to carry out functions of the same category, in the same institution or outside it, and even in a credit institution in another Member State.

1.2.2.3. Document-based audits

Documentary auditing or permanent supervision includes individual monitoring of regulated institutions (keeping of individual files, auditing and analysis of accounting and financial statements, verification of compliance with prudential regulations, ratings, etc.).

It is based on an analysis of all the reporting statements and reports produced by the regulated institutions. These include periodic reports as well as prudential statements, accounting and financial data submitted on magnetic media or on the BCEAO reporting platform by the regulated institutions, in accordance with the requirements of the WAMU Banking Chart of Accounts (PCB) and the Specific Accounting Standards for MFIs (RCSFD).

Once processed and analyzed, the data gathered from the regulated institutions can be used to assess trends in the individual situations of the regulated institutions. It also forms the foundation for general or specific studies on general trends in the banking system as well as in microfinance and electronic money issuing in the WAMU Union.

Document-based audits also reveal signs of vulnerability in an institution, and may form a basis for appropriate decisions to be made. In this sense, they act as a preventive and early-warning system and can be used to guide on-site audits to improve targeting of investigations.

1.2.2.4. On-site audits

On-site audits are conducted on the basis of a schedule approved by the Banking Commission. This schedule is developed using an approach based on identified risks, enabling it to create a list of the regulated institutions viewed as the most vulnerable in the light of:

- their systemic importance;
- their degree of vulnerability to the primary risks in their business segment;
- the difficulties identified in the monitoring of the implementation of Banking Commission recommendations and decisions;
- the length of time since the last audit by the Banking Commission; and
- the start-up conditions of newly licensed entities.

On-site audits, conducted on the basis of targeted investigations, are used to supplement documentary audits. In addition to their main purpose of identifying and assessing the risks incurred by the regulated institutions, they also aim to assess the accuracy of the financial and accounting information provided to the supervisory authorities, compliance with prudential regulations, the quality of management and the outlook for the regulated institutions.

These audits cover corporate governance, the implementation of the Banking Chart of Accounts, the efficiency of internal and external controls and strategic choices. They also cover anti-money laundering and anti-terrorist financing measures, external financial relations, the performance of information systems, the effectiveness of risk management and the implementation of the Banking Commission's recommendations.

On-site inspections may be extended to include affiliated companies. They may be general, specific or thematic in nature.

General audits are designed to assess all areas of a reporting entity's activities and management. Specific or targeted audits cover a more limited field and focus on a particular risk, on the assessment of a specific aspect of the management or situation of a regulated institution or group of institutions. They can also be used to ensure that the recommendations and decisions of the Banking Commission are effectively implemented. Thematic audits deal with a cross-cutting issue common to several institutions.

The audit schedule for 2020 was based on a target of forty-nine (49) regulated institutions, including thirty-six (36) credit institutions and electronic money institutions and thirteen (13) large DFSs.

Despite the slowdown linked to the preventive measures taken by the States and the Central Bank due to the COVID-19 pandemic, twenty-three (23) audits were carried out among credit and electronic money institutions in 2020, i.e. 63.9% of the target. They included:

- fourteen (14) specific on-site audits of credit institutions;
- one (1) general audit of an electronic money institution; and
- eight (8) remote audits of credit institutions using the General Secretariat's on-site audit software system.

Eight (8) audits were performed on MFIs subject to Article 44, representing a completion rate of 61.5%.

All in all, the overall rate of completion of audit engagements, all categories combined, stood at 63.2% at the end of 2020.

1.2.2.5. Audits of commercial practices

The protection of customers of institutions subject to the supervision of the Banking Commission in general, and of depositors in particular, is one of the main missions of the WAMU Banking Supervisory Authority, under the terms of the banking regulations.

Within this framework, the Supervisory Authority, in its session of September 18, 2020, adopted Circular No. 002-2020/CB/C relating to the treatment of complaints from customers of institutions subject to its supervision. This instrument was intended to remedy the shortcomings noted in the processing of customer complaints by the institutions under its supervision, namely:

- the lack of clear, formal procedures for handling complaints at the level of certain regulated institutions;
- the unsatisfactory performance of complaint-handling mechanisms at the level of the regulated institutions, where they exist;
- the fact that customers of regulated institutions were unaware of their rights and the remedies available to them; and
- the length of time taken by regulated institutions to process complaints.

In this respect, the main innovations of the said Circular notably included:

- a definition of the notion of a complaint;
- an obligation for all regulated institutions to set up an internal system to handle customer complaints, including a procedure for managing and monitoring such complaints, approved by the deliberating body;
- an obligation for regulated institutions to inform customers of the existence of an internal complaint system, in particular by displaying the information on their premises, on their website and in their contractual documents, when providing a financial product or service;
- a one-month deadline for regulated institutions to provide a response to a customer complaint;
- an obligation for regulated institutions to report to the Banking Commission; and
- the definition of the conditions of admissibility of a complaint by the Banking Commission. In this respect, customer complaints must not be examined by a judicial, extra-judicial or administrative body, particularly the mediation mechanism set up in the framework of the Observatories of the Quality of Financial Services (OQSF).

In 2020, the General Secretariat of the Banking Commission processed eighteen (18) customer complaints from regulated institutions, compared to twenty-six (26) in 2019.

Of the claims received and processed by the SGCB, 44.4% pertained to transfers and direct debits, 27.8% to credit transactions, 11.1% to payment instruments, 5.6% to account management and 5.6% to other banking services provided to customers.

Table 1: Trends broken down by type of complaint received by the SGCB

Type of complaint	2018	2019	2020
Account opening	-	-	-
Account closing	2	-	-
Account management	1	1	1
Payment instruments	1	-	2
Transfers and direct debits	2	5	8
Value dates applied	1	1	-
Banking service fees	1	4	-
Remote banking services	1	-	1
Payment incidents	-	6	-
Foreign exchange transactions	-	-	-
Credit transactions	1	3	5
Foreign transactions	-	-	-
Other banking services	-	6	1
TOTAL	10	26	18

Source: General Secretariat of the WAMU Banking Commission

72.2% of the complaints received by the SGCB were lodged by natural persons compared to 42.3% in 2019. The majority of the claims came from Côte d'Ivoire and Senegal: respectively 66.7% and 27.8% in 2020, against 30.8% and 38.5% in 2019.

Table 2: Trends in complaints broken down by country

Country	2018	2019	2020
Benin	3	3	-
Burkina	1	4	-
Côte d'Ivoire	5	8	12
Guinea-Bissau	1	-	-
Mali	-	-	-
Niger	-	1	1
Senegal	-	10	5
Togo	-	-	-
WAMU	10	26	18

Source: General Secretariat of the WAMU Banking Commission

In 2020, 38.9% of complaints were settled in favor of the claimants as compared to 38.5% in 2019.

1.2.2.6. Other activities

The other activities of the SGCB in 2020 included participation in the work of the WAMU Financial Stability Committee (WAMU-FSC) as well as meetings with the banking profession and international and sub-regional financial institutions.

As part of the preparations for the 17th and 18th ordinary sessions of the WAMU-FSC, the SGCB participated in the work of the Group of Experts, which focused in particular on defining macroprudential surveillance indicators and detecting and analyzing the main factors of vulnerability threatening the resilience of the financial sector.

As part of the ongoing dialogue with the banking profession and external partners, the General Secretariat granted twenty-five (25) audiences to top managers of regulated institutions and banking groups, compared with twenty-nine (29) in 2019. The main objective of these meetings was to assess the risks to which the regulated institutions were exposed as well as their environment and business prospects.

In addition, on November 25 and 26, 2020, the Supervisory Authority organized, by videoconference, the fifth edition of the annual meetings with, on the one hand, the General Managers and, on the other hand, the statutory auditors of credit institutions and financial companies.

Moreover, in its capacity as home supervisor, the General Secretariat conducted the sixth set of meetings of the Colleges of Supervisors of Oragroup and Ecobank Group, on October 15 and October 29 and 30, 2020 respectively. These meetings, held by videoconference, fell within the framework of the implementation of the Basel Committee's recommendations for the effective supervision of cross-border banking groups.

Finally, in the context of collaboration with counterpart supervisory authorities, the eighth annual bilateral meeting between the General Secretariat of the WAMU Banking Commission and the General Secretariat of the Banking Commission of Central Africa was held on November 3, 2020, by videoconference.

Box No. 1: Outsourcing of credit institution services

*According to the Joint Forum*⁴, outsourcing can be defined as “a regulated entity’s use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the regulated entity, now or in the future”.

Prior to the financial crisis of 2007-2008, banks had a diverse set of activities, consisting of their core business and other supporting business lines. However, the post-crisis regulatory constraints and the advent of financial technology companies (FinTechs) led to an acceleration and diversification of outsourcing of credit institutions’ activities. The main focus has been on rethinking the banks’ back offices, in order to focus on their core business and on customer satisfaction.

For banks, this has mainly resulted in:

- a fragmentation of the value chain, where each new provider of an outsourced service becomes the indirect owner of an essential link in the bank’s business and, consequently, of part of its value chain; and
- a change in the risk architecture, with an increase in third-party risk and other related risks (operational, reputation, concentration risks, etc.).

For the banking supervisory authorities, these changes in the environment run the risk of fragmenting the supervision perimeter and the parties supervised, especially when outsourcing contracts are signed with offshore entities.

In response to this concern, the Basel Committee on Banking Supervision has issued recommendations consisting of seven (7) essential components to be set in place by credit institutions:

- clearly defined strategic objectives and a clear assessment of outsourcing needs;
- procedures for selecting and evaluating contractors;
- key provisions of outsourcing contracts (scope of outsourcing, rights and responsibilities of the parties, access to data, dispute settlement, exit clauses, etc.);
- Service-Level Agreements;
- Outsourcing relationship management procedures;
- Human resources and communications considerations; and
- Business continuity and contingency plans.

Similarly, after conducting a series of consultations with the banking sector, the European Banking Authority published a set of guidelines in February 2019, collected in a document entitled “Guidelines on Outsourcing Arrangements”.

At the WAMU level, a similar framework was put in place by Circular No. 04-2017/CB/C of September 27, 2017 on risk management in credit institutions and financial companies in the Union, which entered into force on July 2, 2018. In addition to the risk governance mechanism and the general principles of risk management, this instrument specifies in particular, in Articles 33 to 38:

- the obligations of governance bodies with respect to outsourcing strategy;
- the mandatory clauses in outsourcing contracts;
- the evaluation of third-party service providers;
- the management of risks related to outsourcing;
- and the specific case of intra-group contracting.

All outsourcing projects must meet the required conditions and be submitted to the Banking Commission for prior approval before being implemented.

⁴ An international framework for consultation among banking, insurance and securities regulators, established in 1996 under the auspices of the Basel Committee on Banking Supervision.

II. BUSINESS ENVIRONMENT OF REGULATED INSTITUTIONS

2.1 ECONOMIC AND FINANCIAL ENVIRONMENT OF WAMU COUNTRIES

The international economic and financial situation in 2020 was dominated by the coronavirus health crisis. According to IMF estimates published in April 2021, the rate of growth in the global economy was negative, at -3.3% in 2020, compared to +2.8% in 2019.

In the West African Monetary Union, the key macroeconomic indicators were also impacted by the pandemic.

2.1.1. Real sector

The Union's real gross domestic product (GDP) grew by 1.5% in 2020 compared to 5.7% in 2019. This overall slowdown was chiefly due to the significant decrease in the contribution of the tertiary sector to economic growth. It fell from 3.1 points in 2019 to 0.9 point in 2020, a drop of 2.2 percentage points, notably due to the impact of declining contributions from the sub-sectors hardest hit by the health crisis, namely the following lines of business: “Retail, restaurants and hotels”, “Banks, insurance and other market services” and “Transportation, warehousing and communications”.

The primary and secondary sectors made respective contributions of 0.4 point and 0.2 point to the growth of the GDP in 2020, compared to respectively 1.2 point and 1.4 point in 2019.

The negative impact of the coronavirus pandemic affected all of the Member States of the Union in 2020. On an individual country basis, growth ranged from -2.3% in Guinea-Bissau to 3.8% in Benin.

Table 3: Real GDP growth rates in 2019 and 2020

	Benin	Burkina	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU
2019	6.90%	5.70%	6.20%	4.50%	4.80%	5.90%	4.40%	5.50%	5.70%
2020	3.80%	2.50%	1.80%	0.00%	0.00%	1.20%	1.50%	1.80%	1.50%

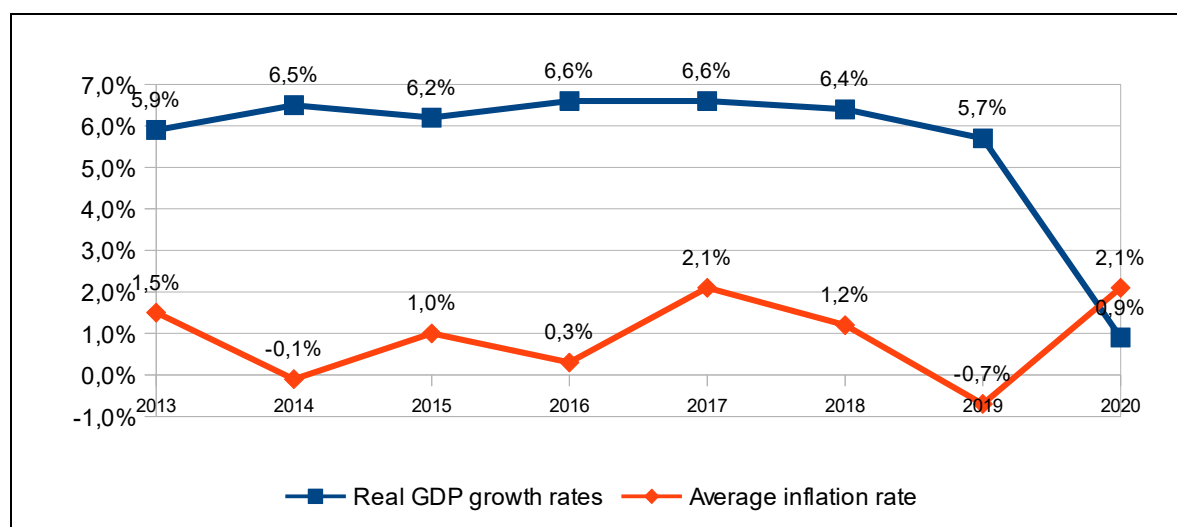
Sources: National Statistics Institutes (NSIs) and BCEAO

2.1.2. Prices

The annual inflation rate in the Union stood at 2.1% in 2020, compared to -0.7% in 2019. The rise in prices was primarily due to tensions on food prices, linked on the one hand to decreased cereal production in the 2019/2020 crop season and, on the other hand, to disruptions in distribution channels due to the COVID-19 pandemic.

Inflation rates were as follows on an individual country basis: Benin (+3.0%), Burkina Faso (+1.9%), Côte d'Ivoire (+2.4%), Guinea-Bissau (+1.5%), Mali (+0.5%), Niger (+2.9%), Senegal (+2.5%) and Togo (+1.8%).

Graph 3: Trends in real growth and the inflation rate in the Union



Sources: Official departments and BCEAO

2.1.3. Public finance

Budget execution in the WAEMU Member States was strongly impacted by the repercussions of the COVID-19 pandemic throughout 2020. Governments responded with vigorous measures to contain the spread of the virus and limit its negative effects on the economy.

The implementation of those measures led to a significant increase in public spending and a decrease in fiscal revenue. As a result, the fiscal deficit, on a commitment basis including grants, deteriorated significantly in the Union, reaching 5,255.3 billion or 5.8% of the GDP in 2020, compromising previous attempts by the States to bring down the deficit to comply with the community standard of 3.0% maximum.

Total fiscal revenue and grants stood at 15,627.7 billion in 2020, up slightly by 124.9 billion or 0.8% compared to the previous year. This development was largely due to grants, which showed an increase of 316.7 billion or 20.0%, although their impact was partially offset by the decrease of 191.7 billion or 1.4% in fiscal revenue.

Net expenditure and lending rose by 18.9%, from 17,565.8 billion in 2019 to 20,883.0 billion in 2020, driven by an increase of 1,416.1 billion (+12.2%) in current expenditure and 1,394.6 billion (+26.4%) in capital expenditure. The increase in current expenditure mainly reflected the rise in transfers and subsidies (+19.8%). The latter was driven by the social assistance measures adopted by the governments, in particular the partial or total coverage of water and electricity bills, as well as food aid and cash transfers to vulnerable population groups as part of the response to the health crisis. In addition, the Member States of the Union continued to pay interest on the debt, which amounted to 1,608.9 billion, up by 22.2% over the previous year.

To finance the budget deficit, the States relied on the regional financial market and external resources. Thus, net external financing increased by 165.4 billion year over year, while net domestic financing increased by 2,734.4 billion.

2.1.4. Balance of payments

The WAEMU countries' external trade took place in an international economic environment marked by the global COVID-19 health crisis. In this context, the overall balance of payments is expected to show a surplus of 15.8 billion in 2020, following a surplus of 1,635.1 billion one year earlier. This development was linked to the drop in net capital inflows on the financial account, combined with a deepening of the current account deficit, whose impact was cushioned by the consolidation of the capital account surplus.

The deficit in the trade balance increased by 14.7%, due to a drop in exports (-6.9%) that was more pronounced than the decline in imports (-5.2%). The trend in exports was mainly due to the decline in re-exports (-46.0%) as well as sales of oil (-38.6%), cotton (-16.0%), cocoa (-5.3%) and cashew nuts (-0.4%) against a backdrop of declining global demand. The impact of the downturn in sales of those items was, however, mitigated by the strong performance of gold exports (+15.6%), which showed a significant price increase.

The decrease in net capital inflows in 2020 was mainly due to the decline in portfolio investments, in line with the low level of Eurobond issuance in 2020 compared to 2019. The significant decrease in foreign direct investment (-44.6%), resulting from the slowdown in work on the Grand Tortue Ahmeyim (GTA) gas project planned between Senegal and Mauritania and the construction of the Niger-Benin pipeline, was also a factor in the negative trend in the financial account.

2.1.5. Monetary and financial sector

The money supply in the Union in 2020 was marked by accelerated growth, standing at 16.4% compared with 10.4% in 2019. Banks' purchases of debt securities issued by the States to finance unplanned expenditure in the context of the response to the COVID-19 pandemic was the main contributor to monetary creation in 2020.

Net foreign assets of monetary institutions increased by 198.0 billion to reach 7,137.5 billion at the end of December 2020. This trend was due to increases of 150.8 billion in the Central Bank's net foreign assets and 47.2 billion in those of the banks.

The official stock of foreign exchange reserves of the BCEAO grew by 1,374.2 billion, reaching 11,731.2 billion at the end of December 2020, owing to substantial mobilization of external resources by the States, especially due to support sought for the response to the health crisis.

Outstanding domestic claims rose by 5,352.2 billion or +16.9% compared to their level at the end of December 2019, reaching 36,978.5 billion at the end of December 2020. This development was due to the combined impact of the consolidation of net claims on central government and loans to other sectors of the economies of the Union.

During the year 2020, the regional public debt market was heavily used to finance a portion of the new needs arising from the health crisis. This situation resulted in a sustained increase in banking system lending to governments. Net claims of banks on central governments grew by 3,138.5 billion, i.e. an increase of 38.7%. In particular, their outstanding portfolio of government securities increased by 35.5% in 2020, from 8,828.0 billion to 11,959.4 billion. The increase in the BCEAO's net claims was driven by the implementation of IMF support for the States. All in all, the net claims of all deposit-taking institutions on central governments over the year increased by 4,223.6 billion, or 52.0%.

Due to the impact of the health crisis, particularly the loss of momentum in WAEMU countries, the pace of growth of loans from deposit-taking institutions to sectors of the economy other than central government slowed in 2020. The growth rate stood at 4.8%, compared with 7.3% in 2019.

An analysis of loan distribution shows that the slowdown was most severe at the household level. Loans granted by credit institutions to households grew by only 2.1% in 2020 compared to 11.2% the previous year. With regard to private non-financial companies, the provisions introduced by the Central Bank to assist banks and the application of the extended maturity measure in particular made it possible to maintain the momentum of loans. The growth rate of loans from credit institutions to businesses rose from 5.5% in 2019 to 7.6% in 2020.

In conjunction with counterpart trends, the money supply grew by 5,012.3 billion or 16.4%, to stand at 35,612.8 billion. This increase in overall liquidity was reflected in a rise of 3,630.0 billion or 15.3% in deposits and 1,382.3 billion or 19.9% in currency outside banks.

Compared to its level at the end of December 2019, the monetary base grew by 2,156.2 billion or 20.4%, reaching 12,724.6 billion at the end of December 2020. This increase was driven by growth in the various counterparts. Loans to banks increased by 1,084.9 billion and net foreign assets of the Central Bank grew by 150.8 billion. With support from the IMF and Member States, net claims on central governments increased by 1,090.6 billion.

2.2 INSTITUTIONAL AND REGULATORY FRAMEWORK

2.2.1. Banking sector

Regarding regulations, the year 2020 was marked by the entry into force of several instruments both at the level of the Regulating Authority (BCEAO) and the Supervisory Authority (WAMU Banking Commission).

The BCEAO adopted the following instruments:

- Notification No. 001-03-2020 of March 25, 2020, on the revision of the implementation procedures of the rating agreements system for non-financial companies;
- Notification No. 003-03-2020 relating to auctions in the framework of the measures taken by the BCEAO on March 21, 2020;
- Notification No. 005-04-2020 of April 1, 2020, relating to the extension of maturities on loans to companies affected by the COVID-19 pandemic;
- Notification No. 006-04-2020 of April 21, 2020, relating to the issuance of bonds known as “COVID-19 Bonds” by Member States and their refinancing through a special three-month window of the BCEAO;
- Notification No. 007-04-2020 of April 30, 2020, on access to BCEAO refinancing for B-rated private debts;
- Notification No. 010-08-2020 of August 10, 2020, relating to the modification of the prudential system applicable to credit institutions and financial companies in the Union; and
- Notification No. 011-10-2020 of October 14, 2020, on the extension of the period of deferment of loan maturities of credit institutions affected by the COVID-19 pandemic.

The Banking Commission issued the following decisions:

- Decision No. 017-03-2020/CB/C of March 27, 2020, adopting and publishing the list of systemically important financial institutions (SIFIs);
- Decision No. 018-03-2020/CB/C of March 27, 2020 updating the list of financial companies subject to its supervision on a consolidated basis;
- Decision No. 023-03-2020/CB/C of March 27, 2020, on the publication of the capital surcharge applicable to regional systemically important financial institutions; and
- Decision No. 024-03-2020/CB/C of March 27, 2020 on the adoption of templates for resolution plans of institutions subject to the banking crisis resolution regime in the Union.

These decisions were taken following the publication by the Central Bank of Notification No. 001-12-2019 of December 19, 2019 on the methodology for identifying SIFIs in the Union and the calculation of the capital surcharge.

In addition, the following Circulars were adopted by the Banking Commission in 2020:

- Circular No. 001-2020/CB/C of March 27, 2020 on preventive recovery plans for institutions subject to the supervision of the WAMU Banking Commission;
- Circular No. 002-2020/CB/C of September 18, 2020 on the handling of customer complaints by institutions subject to the supervision of the WAMU Banking Commission; and
- Circular No. 003-2020/CB/C of December 9, 2020 on the conditions and modalities of application of the banking crisis resolution regime in the Union.

2.2.2. Microfinance sector

In the microfinance sector, the authorities of the Union issued Notification No. 008-04-2020 of April 27, 2020, on support measures for microfinance institutions affected by the COVID-19 pandemic.

2.2.3. Electronic money sector

The following regulatory provisions were adopted for the electronic money business:

- Instruction No. 001-01-2020 of January 31, 2020, on the accounting treatment of electronic money transactions;
- Notification No. 004-03-2020 of April 1, 2020 on measures to promote electronic payments in the context of controlling the spread of COVID-19; and
- Notification No. 009-05-2020 of April 30, 2020, regarding the extension of measures to promote electronic payments in the context of controlling the spread of COVID-19.

Box No. 2: Supervisory framework for risks linked to money laundering and terrorist financing

The fight against money laundering and financing of terrorism (AML/CFT) is one of the top priorities of banking and financial sector supervision in the West African Monetary Union (WAMU) due to the high impact of this issue on the stability and resilience of the financial system.

The system for monitoring money laundering and terrorist financing risks through the General Secretariat of the WAMU Banking Commission (SGCB), which is in line with international standards, is founded on a risk-based supervision (RBS) approach. This approach can be used to evaluate the efficiency of risk management systems according to their criticality.

With this aim in mind, supervision activities are focused not only on compliance with legal and regulatory provisions, but also on analyzing the effectiveness of the systems set up by institutions subject to the supervision of the Banking Commission, with a view to identifying and assessing ML/FT-related risks.

The operational implementation of AML/CFT supervision by the SGCB consists of off-site and on-site inspections of regulated credit institutions, financial companies, electronic money institutions (EMIs) and large-scale decentralized financial systems (DFSs).

1. Off-site monitoring in the context of AML/CFT

Off-site monitoring of compliance with AML/CFT regulations is conducted on an ongoing basis. It is carried out by reviewing the periodic reports submitted to the GSBC by regulated institutions (reports on internal controls, AML/CFT, the general risk-management system and the assessment of the risk of non-compliance).

The conclusions drawn from these reports and other sources of information (responses to AML/CFT survey questionnaires, etc.) are used to enter information into the AML/CFT component of the Credit Institution Rating System (SNEC) set up by the SGCB. Thus, the Supervisory Authority has permanent access to a system that rates credit institutions according to their level of AML/CFT risk.

An ML/FT risk map has also been drawn up for the regulated institutions. It was designed to use the records of the weaknesses identified by ongoing supervision and during on-site inspections. It is updated on a regular basis. The risks identified in regulated institutions are ranked by order of criticality.

In addition, the issue of the AML/CFT system in regulated institutions was discussed during meetings with the General Managers and Statutory Auditors of the institutions, as well as during the audiences granted to them by the SGCB and during the meetings of the colleges of supervisors of banking groups based in the Union.

Off-site monitoring provides an assessment of the nature, incidence and scope of the risks to which each institution is exposed, in the light of its strategy, risk appetite and systemic importance. This is followed by the establishment of a risk profile for each regulated entity and the formulation of appropriate measures to correct any significant weaknesses identified, which are conveyed to the institutions concerned.

These findings also guide the preparation of the annual on-site audit program.

2 On-site monitoring in the context of AML/CFT

On-site monitoring is carried out through four (4) different types of audits, namely:

- General audits, aimed at reviewing all of the activities and risks of an institution, including ML/FT risks;
- Specific audits, which focus on specific activities or risks within an institution. In the light of the importance of AML/CFT, specific audits systematically include an AML/CFT component;
- Thematic audits, which are crosscutting reviews of specific issues across a sample of institutions; and
- monitoring of the implementation of the recommendations of previous audits, to ensure that the institution has duly implemented the recommendations issued by the Banking

Commission.

In addition to these types of audits, the Supervisory Authority also conducts joint audits of cross-border banks with counterpart supervisors.

On-site AML/CFT audits are based on *qualitative* and *quantitative analyses*. They are detailed in specific audit guidelines divided into eight (8) sub-sections (organization, governance and internal control system, procedures, Know Your Customer, risk mapping, operations, IT system, and asset makeup & asset freezing).

Qualitative analyses are carried out on the basis of a questionnaire designed around the main legal and regulatory provisions in force, in this case the Uniform Act on AML/CFT and its implementing instruments as set forth by the BCEAO.

Quantitative analyses are carried out using a dedicated computer application for on-site inspections (the SCAN-R application), based on an examination of customer transactions.

The audit report and the list of inadequacies detected are sent to each institution audited in a "follow-up letter". This letter requires the institution to take appropriate corrective measures within the deadlines set by the Auditing Authority.

However, the most serious breaches and/or the institutions presenting the highest risks are subject to administrative measures and/or disciplinary or financial penalties imposed by the Banking Commission.

III. ACTIVITIES OF THE REGULATED INSTITUTIONS

3.1 BANKING SECTOR

3.1.1. Landscape of credit institutions

At the end of 2020, the banking system of the Union included one hundred and fifty-two (152) licensed credit institutions compared to one hundred and fifty-three (153) in December 2019. This change was due to:

- the withdrawal of the license of the Banque Internationale du Bénin (B.I.BE), following its merger with the Banque Africaine pour l'Investissement et le Commerce (BAIC);⁵
- the withdrawal of the establishment authorization of Diamond Bank Benin's Côte d'Ivoire branch, whose activities were transferred to NSIA Banque Côte d'Ivoire; and
- the granting of establishment authorization to the Senegalese branch of Bridge Bank Group Côte d'Ivoire.

Thus, at the end of 2020, the banking landscape comprised one hundred and thirty-one (131) banks, including twenty-one (21) branches, and twenty-one (21) bank-like financial institutions, including four (4) branches.

Their distribution, by country, was as follows:

Table 4: Number of licensed credit institutions

Country	Banks		Bank-like financial institutions		Total (a+b+c+d)
	Subsidiaries (a)	Branches (b)	Subsidiaries (c)	Branches (d)	
Benin	12	2	1	-	15
Burkina	13	2	3	1	19
Côte d'Ivoire	26	2	1	1	30
Guinea- Bissau	3	2	-	-	5
Mali	13	1	2	1	17
Niger	10	4	4	-	18
Senegal	22	5	3	1	31
Togo	11	3	3	-	17
Total	110	21	17	4	152

Source: General Secretariat of the WAMU Banking Commission

On December 31, 2020, there were one hundred and forty-nine (149)⁶ active credit institutions (128 banks and 21 bank-like financial institutions) in the Union.⁷ On that same date, twenty-two (22) banks were included on the list of systemically important financial institutions (SIFIs)⁸ at the national level.

Based on the available data received from one hundred and forty-eight (148) credit institutions, the breakdown of active entities is as follows:

⁵ The name of the BAIC was changed to Banque Internationale pour l'Industrie et le Commerce (B.I.I.C.).

⁶ At the end of 2020, the following three (3) licensed credit institutions had not yet begun operating: Bridge Bank Group Côte d'Ivoire, Senegalese branch (Senegal); Banque de Développement du Mali, Senegalese branch (Senegal) and Banque de Développement du Mali, Togo branch (Togo).

⁷ Credit institutions that started operations in 2020 included: Africaine des Garanties et du Cautionnement (Benin), Mansa Bank (Côte d'Ivoire) and Orange Abidjan Compagnie (Côte d'Ivoire).

Banque Internationale du Bénin (B.I.BE) (Benin) and Diamond Bank Bénin, Côte d'Ivoire branch (Côte d'Ivoire) were removed from the list of licensed credit institutions.

⁸ SIFIs are institutions whose failure, owing to their size, complexity, volume of activities or systemic interconnection, could jeopardize the financial system and economy of the Union or a Member State.

Table 5: Main characteristics of active credit institutions

Country	Number of institutions			Balance sheet total (billions of CFA Francs)	Market shares (%)	Number			Employees
	Banks	Financial Institutions	Total			Windows (**)	ATMs (***)	Bank accounts	
Benin	14	1	15	4,828	10.1%	227	348	2,273,094	3,009
Burkina	15	4	19	6,725	14.1%	323	526	2,256,609	3,719
Côte d'Ivoire	28	2	30	15,935	33.4%	736	1,133	4,599,895	9,714
Guinea-Bissau	5	-	5	343	0.7%	42	74	178,076	558
Mali	14	3	17	5,630	11.8%	490	527	1,942,258	3,556
Niger	14	3	17	2,017	4.2%	1,159 ⁹	185	818,105	3,725
Senegal	25	4	29	8,786	18.4%	525	643	2,167,629	6,219
Togo	13	3	16	3,457	7.2%	260	240	1,178,587	2,164
WAMU	128	20	148	47,719	100%	3,762	3,676	15,414,253	32,664

(*) According to the balance sheet totals of credit institutions in the Union

(**) Branches, offices, and points of sale

(***) Automated Teller Machines

Source: General Secretariat of the WAMU Banking Commission

The balance sheet total of credit institutions in the Union stood at 47,718.5 billion as at December 31, 2020, reflecting a year-over-year increase of 6,159.3 billion (+14.8%).

A similar trend was noted in all the banking centers in the Union: Côte d'Ivoire (+2,483 billion; +18.5%), Burkina Faso (+949 million; +16.4%), Senegal (+883 billion; +11.2%), Mali (+637 billion; +12.8%), Benin (+574 billion; +13.5%), Togo (+415 billion; +13.7%), Niger (+182 billion; +9.9%) and Guinea-Bissau (+36 billion; +11.9%).

The number of locations (branches, offices, and points of sale) grew by one hundred and thirteen (113) units in 2020, an increase of +3.1%, reaching a total of 3,762. The number of ATMs increased by 159 units, or 4.5%, reaching 3,676.

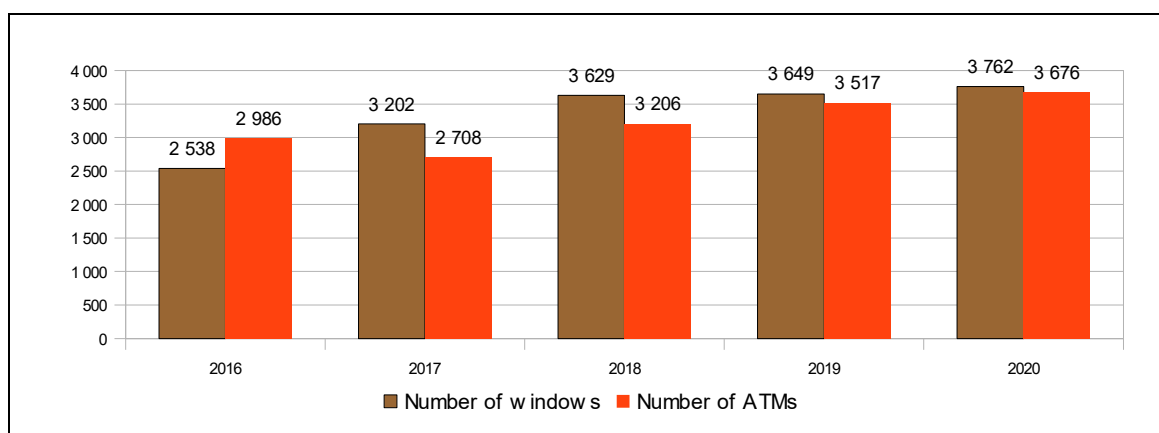
Table 6: Trends in the number of credit institutions and ATMs in the Union

Country	2016		2017		2018		2019		2020	
	Windows	ATMs	Windows	ATMs	Windows	ATMs	Windows	ATMs	Windows	ATMs
Benin	205	277	212	295	218	295	210	333	227	348
Burkina	281	376	295	264	317	476	326	492	323	526
Côte d'Ivoire	666	934	692	717	708	855	719	1,092	736	1,133
Guinea-Bissau	28	51	30	56	35	57	42	67	42	74
Mali	557	440	477	471	494	509	502	548	490	527
Niger	155	158	765	157	1,114	191	1,081	167	1,159	185
Senegal	412	484	488	468	498	539	511	592	525	643
Togo	234	266	243	280	245	284	258	226	260	240
WAMU	2,538	2,986	3,202	2,708	3,629	3,206	3,649	3,517	3,762	3,676

Source: General Secretariat of the WAMU Banking Commission

⁹ This rate corresponds to the windows of three (3) bank-like payment institutions, which together accounted for 978 branches, or 84.4% of the total in Niger.

Graph 4: Trends in the number of ATMs and credit institutions in the Union



Source: General Secretariat of the WAMU Banking Commission

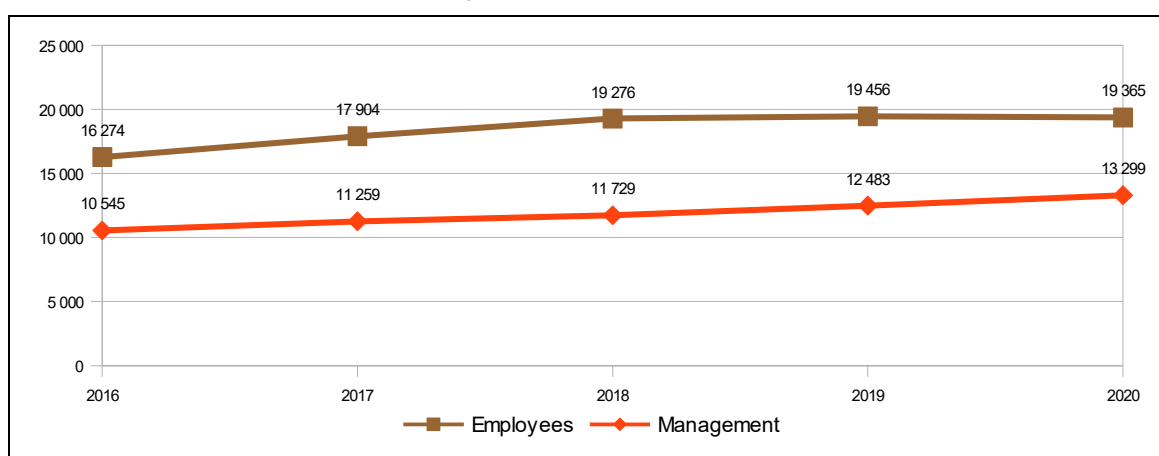
As at December 31, 2020, the number of staff in the banking sector had increased by 725 positions (+2.3%) compared to December 31, 2019, to total 32,664, in connection with the expansion of the banking network and the start-up of activities of new entities. The number of “management” staff represented 40.7% of jobs.

Table 7: Trends in the number of employees in credit institutions in the Union

Country	2016	2017	2018	2019	2020
Benin	2,739	2,904	2,761	3,003	3,009
Burkina Faso	3,081	3,163	3,375	3,513	3,719
Côte d’Ivoire	8,126	8,155	9,117	9,605	9,714
Guinea-Bissau	421	491	507	543	558
Mali	3,272	3,591	3,517	3,524	3,556
Niger	1,658	2,773	3,455	3,443	3,725
Senegal	5,149	5,525	5,707	6,108	6,219
Togo	2,317	2,561	2,566	2,200	2,164
WAMU	26,763	29,163	31,005	31,939	32,664

Source: General Secretariat of the WAMU Banking Commission

Graph 5: Trends in the number of employees in credit institutions in the Union



Source: General Secretariat of the WAMU Banking Commission

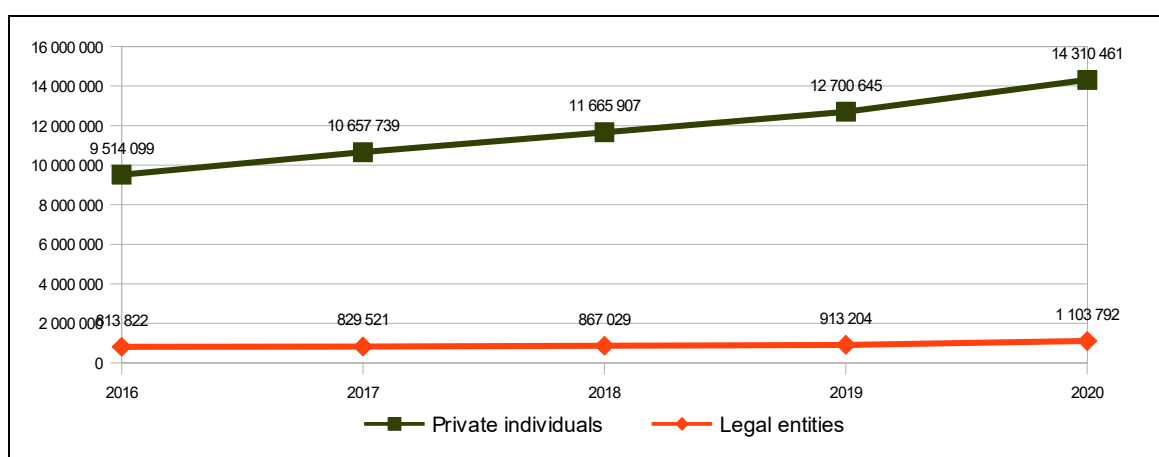
The number of bank accounts held in credit institutions also grew by 13.2%, reaching 15,414,253 at the end of 2020. The number of personal accounts grew by 12.7%, while business accounts grew by 20.9%.

Table 8: Trends in the number of bank accounts in credit institutions

Country	2016	2017	2018	2019	2020
Benin	1,013,686	1,301,144	1,566,902	1,621,602	2,273,094
Burkina Faso	1,642,048	1,811,774	1,938,515	2,120,346	2,256,609
Côte d'Ivoire	2,905,534	3,713,753	3,783,853	4,043,899	4,599,895
Guinea-Bissau	97,091	106,776	153,585	160,760	178,076
Mali	1,339,486	1,589,661	1,649,976	1,794,229	1,942,258
Niger	611,354	549,521	599,195	705,212	818,105
Senegal	1,597,066	1,668,798	1,839,640	2,067,811	2,167,629
Togo	958,321	745,833	1,001,270	1,099,990	1,178,587
WAMU	10,164,586	11,487,260	12,532,936	13,613,849	15,414,253

Source: General Secretariat of the WAMU Banking Commission

Graph 6: Trends in the number of bank accounts in credit institutions



Source: General Secretariat of the WAMU Banking Commission

As at December 31, 2020, the banking system included sixty-five (65) cross-border banks¹⁰, sixty-three (63) sub-regional banks¹¹ and twenty (20) bank-like financial institutions, comprising five (5) cross-border institutions and fifteen (15) sub-regional institutions.

Table 9: Breakdown of active credit institutions by category

Category	Number of institutions									Market shares (%)	Number			Employees
	Benin	Burkina	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU		Windows (%)	ATMs (**)	Bank accounts	
Cross-border banks	9	8	15	1	7	6	13	6	65	47.4%	34.0%	46.2%	51.6%	48.0%
Sub-regional banks	5	7	13	4	7	8	12	7	63	51.3%	38.1%	53.8%	48.4%	45.0%
Cross-border bank-like financial institutions	-	1	1	-	1	-	2	-	5	0.2%	1.5%	-	-	0.6%
Sub-regional bank-like financial institutions	1	3	1	-	2	3	2	3	15	1.1%	26.5%	-	-	6.4%
Total	15	19	30	5	17	17	29	16	148	100%	100%	100%	100%	100%

(*) According to the balance sheet totals of credit institutions in the Union

(**) Branches, offices, and points of sale

(***) Automated Teller Machines

Source: General Secretariat of the WAMU Banking Commission

10 Under the terms of Decision No. 362-11-2016 of November 18, 2016 on the organization of the General Secretariat of the WAMU Banking Commission, cross-border banks are banks whose parent companies are located outside the WAMU zone and/or depend on banks or a group subject to the supervision of a counterpart banking supervisory authority.

11 Under the terms of Decision No. 362-11-2016 of November 18, 2016 on the organization of the General Secretariat of the WAMU Banking Commission, sub-regional banks are banks whose parent companies are located in the Union, not including those that depend on banks or a group subject to the supervision of a counterpart banking supervisory authority.

The market was dominated by sub-regional banks, which held 51.3% of the banking assets in the Union. They represented 38.1% of the branch network, had 53.8% of the Union's ATMs, held 48.4% of its bank accounts and employed 45.0% of its banking staff.

Cross-border banks had a 47.4% market share. This category of banks represented 34.0% of branch offices, 46.2% of ATMs, 51.6% of customer accounts and 48.0% of staff.

Cross-border bank-like financial institutions accounted for 0.2% of assets, 1.5% of windows and 0.6% of staff.

Sub-regional bank-like financial institutions accounted for 1.1% of assets, 26.5% of windows and 6.4% of staff.

3.1.1.1. Breakdown of numbers of credit institutions based on size

The breakdown of the number of credit institutions by size was calculated based on total assets, total deposits and total loans, using quartiles.

Quartiles are the three (3) values of a statistical variable, in this case the balance sheet total, total deposits and total loans, ranked in ascending order, which can be used to divide a statistical population into four (4) equal sub-sets. These internal dividers are identified by the abbreviated letters Q1, Q2 and Q3.

- The 1st quartile (Q1) is the value of the statistical variable (balance sheet total, deposits or loans) that marks the cut-off point for the bottom 25% of the balance sheet total or total deposits;
- The 2nd quartile (Q2) is the value of the statistical variable that marks the cut-off point for the bottom 50% of the balance sheet total or total deposits. It is the midpoint of the data set. It is also called the median;
- The 3rd quartile (Q3) is the value of the statistical variable that marks the cut-off point for the bottom 75% of the balance sheet total or total deposits.

Quartile analysis shows that on December 31, 2020:

- 25% of the credit institutions had a balance sheet total, total deposits and total loans, respectively, below 67,740 million, 39,147 million and 32,027 million;
- 50% of the credit institutions showed a balance sheet total, total deposits and total loans, respectively, below 202,430 million, 123,937 million and 88,197 million; and
- 25% of the credit institutions presented a balance sheet total, total deposits and total loans, respectively, above 415,406 million, 304,554 million and 211,450 million.

Table 10: Quartiles as at December 31, 2020

Quartile	Balance sheet total (in millions of CFA Francs)	Total deposits (in millions of CFA Francs)	Total loans (in millions of CFA Francs)
Q1	67,740	39,147	32,027
Q2	202,430	123,937	88,197
Q3	415,406	304,554	211,450

Source: General Secretariat of the WAMU Banking Commission

Thirty-seven (37) credit institutions had a balance sheet total below the first quartile (Q1 or 67,740 million). They had 2.2% of assets, 23.4% of offices and branches, 1.0% of ATMs and 2.8% of bank accounts. They employed 8.5% of the banking system's workforce.

Thirty-seven (37) credit institutions, representing 9.8% of assets, had a balance sheet total between the first quartile (Q1) and the second quartile (Q2 or 202,430 million). This category of banks represented 12.3% of locations, 13.5% of ATMs, 10.0% of customer accounts and 14.9% of staff.

Thirty-seven (37) credit institutions, representing 22.2% of assets, had a balance sheet total between the second quartile (Q2) and the third quartile (Q3 or 415,406 million). This category of banks represented 16.6% of locations, 19.8% of ATMs, 16.8% of customer accounts and 20.9% of staff.

Thirty-seven (37) credit institutions had a balance sheet total above the third quartile (Q3) and held 65.8% of the assets of the banking system. They represented 47.7% of the branch network, had 65.6% of the Union's ATMs, held 70.4% of its bank accounts and employed 55.7% of its staff.

Table 11: Breakdown of credit institutions by quartiles according to balance sheet total

Category	Number of institutions per country									Market share	Windows	ATMs	Number of bank accounts	Staff
	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU					
< Q1	4	6	3	1	4	8	7	4	37	2.2%	23.4%	1.0%	2.8%	8.5%
Between Q1 and Q2	1	2	10	4	5	5	5	5	37	9.8%	12.3%	13.5%	10.0%	14.9%
Between Q2 and Q3	7	5	4	-	3	4	9	5	37	22.2%	16.6%	19.8%	16.8%	20.9%
> Q3	3	6	13	-	5	-	8	2	37	65.8%	47.7%	65.6%	70.4%	55.7%
Total	15	19	30	5	17	17	29	16	148	100%	100%	100%	100%	100%

Source: Secretariat General of the Banking Commission

Thirty-seven (37) credit institutions had total deposits below the first quartile (Q1 or 39,147 million). They held 4.5% of assets, 26.2% of offices and branches, 3.7% of ATMs and 5.0% of bank accounts. They employed 12.2% of the workforce.

Thirty-seven (37) credit institutions, representing 21.2% of assets, had total deposits between the first quartile (Q1) and the second quartile (Q2 or 123,937 million). This category of banks represented 18.2% of locations, 21.8% of ATMs, 15.1% of customer accounts and 23.4% of staff.

Thirty-seven (37) credit institutions, representing 26.1% of assets, had total deposits between the second quartile (Q2) and the third quartile (Q3 or 304,554 million). This category represented 20.1% of locations, 26.8% of ATMs, 32.9% of customer accounts and 22.9% of staff.

Thirty-seven (37) credit institutions had total deposits above the third quartile (Q3) and held 48.2% of the assets of the system. They represented 35.5% of the branch network, had 47.7% of ATMs and 47.0% of bank accounts, and employed 41.5% of staff.

Table 12: Breakdown of credit institutions by quartiles according to total deposits

Category	Number of institutions per country									Market share	Windows	ATMs	Number of bank accounts	Staff
	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU					
< Q1	4	5	5	2	3	7	8	3	37	4.5%	26.2%	3.7%	5.0%	12.2%
Between Q1 and Q2	1	4	7	3	6	6	4	6	37	21.2%	18.2%	21.8%	15.1%	23.4%
Between Q2 and Q3	7	4	5	-	3	4	9	5	37	26.1%	20.1%	26.8%	32.9%	22.9%
> Q3	3	6	13	-	5	-	8	2	37	48.2%	35.5%	47.7%	47.0%	41.5%
Total	15	19	30	5	17	17	29	16	148	100%	100%	100%	100%	100%

Source: Secretariat General of the Banking Commission

Thirty-seven (37) credit institutions had total loans below the first quartile (Q1 or 32,027 million). They held 8.1% of assets, 30.5% of offices and branches, 9.7% of ATMs and 10.1% of bank accounts. They employed 17.5% of the workforce.

Thirty-seven (37) credit institutions, representing 24.9% of assets, had total loans between the first quartile (Q1) and the second quartile (Q2 or 88,197 million). This category represented 20.7% of locations, 23.8% of ATMs, 19.4% of customer accounts and 24.5% of staff.

Thirty-seven (37) credit institutions, representing 26.8% of assets, had total loans between the second quartile (Q2) and the third quartile (Q3 or 211,450 million). This category represented 17.9% of locations, 27.3% of ATMs, 33.6% of customer accounts and 23.2% of staff.

Thirty-seven (37) credit institutions had total loans above the third quartile (Q3) and held 40.2% of the assets of the banking system. They represented 30.9% of the branch network, had 39.2% of ATMs, held 36.8% of bank accounts and employed 34.8% of staff.

Table 13: Breakdown of credit institutions by quartiles according to total loans

Category	Number of institutions per country									Market share	Windows	ATMs	Number of bank accounts	Staff
	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU					
< Q1	4	3	4	4	4	7	7	4	37	8.1%	30.5%	9.7%	10.1%	17.5%
Between Q1 and Q2	3	5	10	1	2	4	6	6	37	24.9%	20.7%	23.8%	19.4%	24.5%
Between Q2 and Q3	5	6	4	0	7	5	5	5	37	26.8%	17.9%	27.3%	33.6%	23.2%
> Q3	3	5	12	0	4	1	11	1	37	40.2%	30.9%	39.2%	36.9%	34.8%
Total	15	19	30	5	17	17	29	16	148	100%	100%	100%	100%	100%

Source: Secretariat General of the Banking Commission

Between 2016 and 2020, balance sheet total quartiles showed the following trends:

Table 14: Trends in balance sheet total quartiles between 2016 and 2020

	2016	2017	2018	2019	2020
Q1	46,631	42,166	43,591	54,085	67,740
Q2	136,617	137,551	135,720	163,396	202,430
Q3	293,682	324,553	345,378	344,405	415,406
Interquartile range (Q3-Q1)	247,051	282,387	301,787	290,320	347,666

Source: General Secretariat of the WAMU Banking Commission

Table 15: Trends in total deposit quartiles between 2016 and 2020

	2016	2017	2018	2019	2020
Q1	26,337	20,724	17,193	23,220	39,147
Q2	77,962	83,331	86,030	99,257	123,937
Q3	202,676	185,784	207,571	245,223	304,554
Interquartile range (Q3-Q1)	176,339	165,060	190,378	222,003	265,407

Source: General Secretariat of the WAMU Banking Commission

Table 16: Trends in total loan quartiles between 2016 and 2020

	2016	2017	2018	2019	2020
Q1	18,919	17,589	13,718	19,516	32,027
Q2	63,328	69,885	72,814	79,674	88,197
Q3	174,689	170,553	174,745	192,098	211,450
Interquartile range (Q3-Q1)	155,770	152,964	161,027	172,583	179,423

Source: General Secretariat of the WAMU Banking Commission

The breakdown of credit institutions based on their balance sheet total, total deposits and total loans variables showed increasing dispersion between 2016 and 2020. Indeed, based on the balance sheet total, the interquartile range grew from 247.1 billion in 2016 to 347.7 billion in 2020, while the range for total deposits rose from 176.3 billion in 2016 to 265.4 billion in 2020. The interquartile range for total loans rose from 155.8 billion in 2016 to 179.4 billion in 2020.

3.1.1.2. Analysis of activity by banking group

3.1.1.2.1. Institutions affiliated with a banking group

On December 31, 2020, one hundred and nine (109) active credit institutions in the Union, or 73.6% of total, were affiliated with one of thirty-two (32) banking groups. This subset represented a total of 85.5% of banking assets, 60.4% of windows, 83.2% of ATMs, 84.5% of customer bank accounts, 77.6% of staff and 92.2% of overall net provisional income.

The number of banking groups operating in the WAMU Union, holding at least 2% of the assets of the banking system, stood at twelve (12) in 2020, as in 2019.

These major groups, which comprised seventy-six (76) units, represented 75.7% of the balance sheet total and 54.2% of the total number of windows, controlled 76.8% of ATMs, held 78.0% of customer bank accounts and employed 68.2% of banking system staff. These entities totalled 86.8% of the overall net provisional income of the banking system.

Table 17: Main banking groups holding at least 2% of the assets of the Union's banking system

Ranking	Main groups (market share - at least 2%)	Parent company country of origin	Number of subsidiaries / branches	Market share	Windows	ATMs	Number of bank accounts	Staff	Share of overall net provisional income
1	Ecobank	Togo	8	10.7%	5.8%	14.3%	16.6%	7.6%	13.5%
2	Société Générale	France	5	9.3%	3.9%	9.4%	8.8%	8.6%	14.4%
3	Bank Of Africa (BOA)	Morocco	7	8.9%	7.9%	9.7%	15.7%	8.7%	11.2%
4	Atlantic Business International (ARI)	Morocco	9	8.1%	5.7%	5.7%	7.0%	7.2%	7.3%
5	Coris Bank International (CBI)	Burkina	7	7.6%	2.9%	3.2%	3.1%	3.4%	11.7%
6	Attijariwafa bank (AWB)	Morocco	9	6.8%	8.0%	7.9%	8.0%	8.7%	10.8%
7	NSIA Banque	Côte d'Ivoire	4	6.1%	4.2%	5.8%	4.8%	6.1%	3.1%
8	Oragroup	Togo	8	5.7%	3.0%	5.3%	3.2%	4.6%	4.1%
9	United Bank for Africa (UBA)	Nigeria	5	3.4%	1.7%	3.2%	4.3%	3.1%	5.1%
10	Banque de Développement du Mali (BDM)	Mali	4	3.3%	5.3%	3.7%	1.8%	2.4%	5.1%
11	BNP Paribas	France	3	3.2%	2.5%	4.7%	2.8%	4.2%	2.0%
12	Banque Sahélo-saharienne pour l'Industrie et le Commerce (BSIC)	Libya	7	2.6%	3.3%	3.9%	1.9%	3.6%	-1.5%
	Total	-	76	75.7%	54.2%	76.8%	78.0%	68.2%	86.8%

Source: General Secretariat of the WAMU Banking Commission

Twenty (20) other, smaller groups, each holding less than 2% of assets, also formed part of the banking landscape. These are, by order of magnitude:

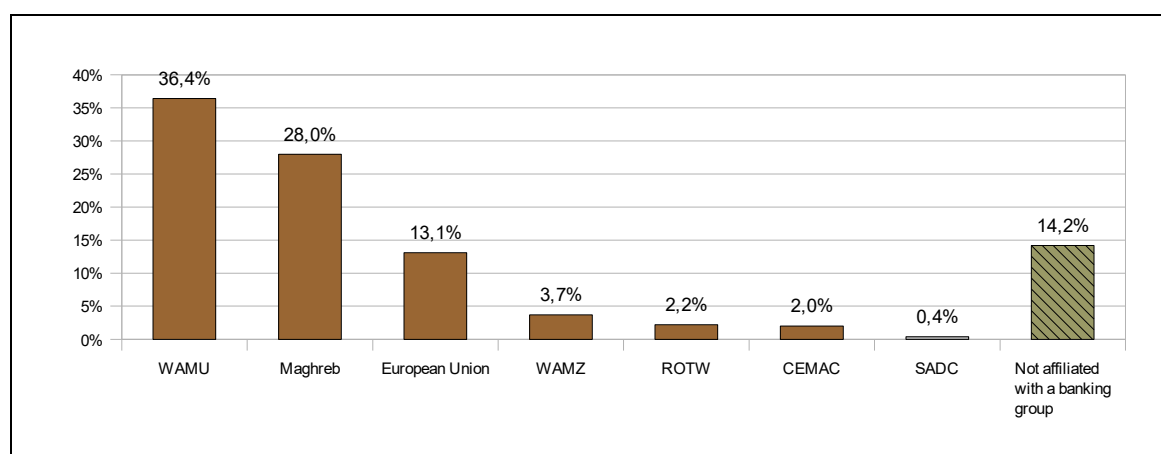
- BGFIBANK (3 banks, with a market share of 1.9%);
- Bridge Bank Group (1 bank; 1.2%);
- Tamweel Africa Holding (2 banks; 1.1%);
- Libyan Foreign Bank (4 banks; 1%);
- Groupe BDK (2 banks; 0.9%);
- Citigroup (2 banks; 0.7%);
- Standard Chartered Bank (1 bank; 0.6%);
- Banque pour le Commerce et l'Industrie (2 banks; 0.5%);
- Standard Bank (1 bank; 0.3%);
- Afriland First Group (2 banks; 0.3%);
- SUNU (1 bank; 0.3%);
- Atlantic Financial Group (1 bank; 0.3%);
- Mansa Financial Group (1 bank; 0.3%);
- TLG Finance (4 banks; 0.2%);
- First Bank of Nigeria (1 bank; 0.2%);
- Guaranty Trust Bank (1 bank; 0.1%);
- Crédit Libanais (1 bank; 0.1%);
- African Guarantee Fund (1 bank; 0.1%);
- Orange Abidjan Participations (1 bank; 0.1%); and
- African Lease Group (1 bank; 0%).

These twenty (20) groups controlled thirty-three (33) credit institutions in the Union, and accounted for 10.1% of assets, 6.6% of locations and 6.4% of ATMs. They held 6.6% of customer bank accounts and employed 9.6% of the workforce. Their contribution to the overall net income of the Union's banking system was 5.4% as at December 31, 2020.

3.1.1.2.2. Banking groups by geographical area

The thirty-two (32) banking groups operating in the WAMU Union as at December 31, 2020, come from WAMU, the Maghreb, the European Union (EU), the West African Monetary Zone (WAMZ), the Economic Community of Central African States (CEMAC), the Southern African Development Community (SADC) and the rest of the world (ROTW).

Graph 7: Market share of banking groups by geographic area of origin



Source: General Secretariat of the WAMU Banking Commission

There were eleven (11) WAMU banking groups¹², comprising banks with parent companies based in the Union. These entities, which held a market share of 36.4%, had thirty-eight (38) units in the Union, representing 24.5% of branches and 33.8% of ATMs, employed 27.2% of banking staff, had 30.7% of customer accounts and 34.1% of deposits. They accounted for 33.1% of customer loans and 40.0% of provisional overall net income.

With a share of 28.0% of total assets, the seven (7) banking groups from the Maghreb¹³ operating in the Union totaled forty-two (42) entities, representing 28.1% of the network of branches and 28.6% of ATMs, and employing 30.7% of banking staff. They held 33.6% of customer accounts and 27.9% of deposits, and they accounted for 29.4% of loans granted. At the end of December 2020, these institutions represented 28.3% of the provisional overall net income earned by the banking sector. The business of these groups was predominantly conducted by Moroccan entities, with twenty-five (25) credit institutions affiliated with three (3) groups, which are among the top six (6) groups. These institutions represented a market share of 23.7%, 24.3% of deposits, 25.1% of loans granted to customers and 29.2% of overall net provisional income. They represented 22.8% of bank locations, 23.3% of ATMs, 30.8% of bank accounts and 24.7% of staff.

Table 18: Main geographic areas represented by the banking groups operating in WAMU

Geographic area	Number of groups	Number of institutions	Market share	Percentage of windows	Percentage of ATMs	Percentage of bank accounts	Percentage of employees	Percentage of income
WAMU	11	38	36.4%	23.1%	33.8%	30.7%	26.9%	40.0%
Maghreb	7	42	28.0%	26.6%	28.6%	33.6%	30.5%	28.3%
EU	4	10	13.1%	6.4%	14.3%	13.8%	13.3%	14.9%
WAMZ	3	7	3.7%	2.0%	3.4%	5.0%	3.8%	5.4%
CEMAC	1	3	2.0%	0.5%	1.0%	0.1%	1.0%	1.8%
SADC	2	2	0.4%	0.1%	0.0%	0.0%	0.1%	-0.3%
ROTW	4	7	2.2%	1.7%	2.1%	1.3%	2.0%	2.1%
TOTAL	32	109	85.8%	60.4%	83.2%	84.5%	77.6%	92.2%

Source: General Secretariat of the WAMU Banking Commission

The four (4) European banking groups¹⁴, with ten (10) subsidiaries, represented 13.1% of all assets, 6.8% of the network of branches, 14.3% of ATMs, 13.8% of customer accounts and 13.4% of staff. They mobilized 15.5% of deposits and granted 15.7% of customer loans. These entities accounted for 14.9% of the overall net provisional income of the banking sector. The business of these groups was predominantly conducted by the three (3) French banking groups, which totaled 12.6% of the market share, 14.9% of deposits, 15.5% of customer loans and 15.3% of the overall net provisional income in the Union. They represented 6.8% of bank locations, 14.0% of ATMs, 13.7% of bank accounts and 13.1% of staff.

With a market share of 3.7%, all of the WAMZ banking groups operating in the WAMU Union,¹⁵ of which there were three (3), were from Nigeria. Their seven (7) active units represented 2.1% of the branch network, 3.4% of ATMs, 5.0% of bank accounts and 3.8% of staff. They mobilized 3.8% of deposits and granted 2.3% of customer loans in the Union. Their contribution to the overall net income of the banking system is estimated at 5.4% for 2020.

The banking group from the CEMAC region¹⁶ had three (3) banks accounting for 0.5% of the network of bank branches, 1.0% of ATMs, 0.1% of bank accounts and 1.0% of staff members, mobilized 2.0% of deposits and granted 2.2% of customer loans. Their assets made up 2.0% of the Union's balance sheet total. The overall net provisional income of the group represented 1.8% of the total in the Union.

¹² Burkina (CBI) - Côte d'Ivoire (Bridge Bank Group, NSIA Banque, SUNU, AFG, MFG) - Mali (BDM) - Senegal (Banque de Dakar) - Togo (ALG, ECOBANK, ORAGROUP).

¹³ Libya (BSIC, Libyan Foreign Bank) - Morocco (ABI, Attijariwafa bank, BOA) - Mauritania (BCI) - Tunisia (TLG Finance).

¹⁴ France (BNP Paribas, Société Générale, OAP) - United Kingdom (Standard Chartered Bank).

¹⁵ Nigeria (First Bank, GTBank, UBA).

¹⁶ Gabon (BGFIBank).

The two (2) banking groups from SADC,¹⁷ with two (2) credit institutions holding 0.1% of the branch network and 0.1% of staff members, mobilized 0.3% of deposits and granted 0.1% of customer loans. Their assets made up 0.4% of the Union's balance sheet total. The overall net provisional income of these two (2) groups was negative in 2020.

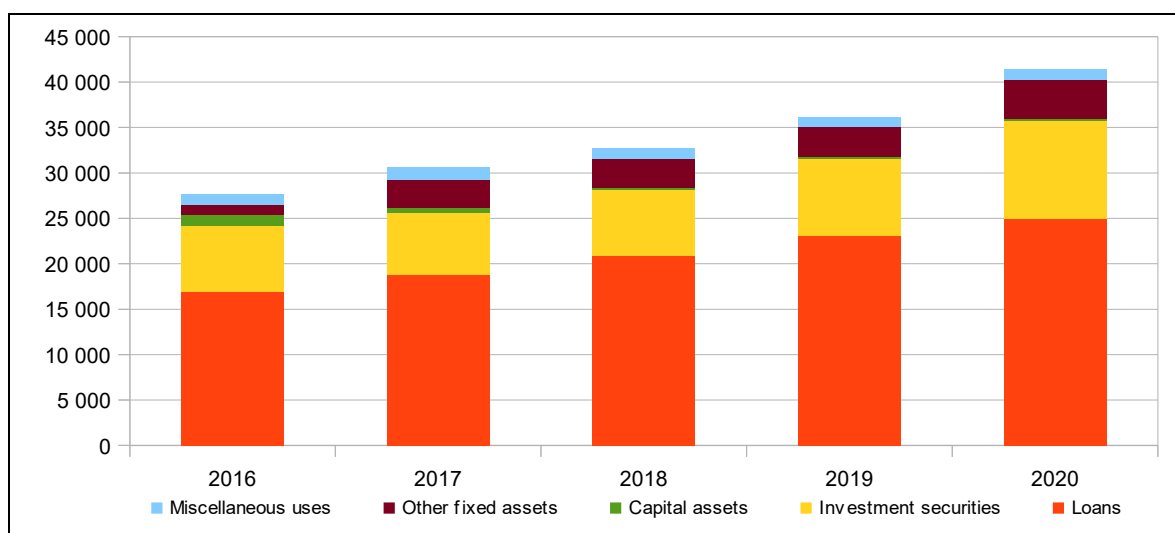
There were four (4) banking groups from the ROTW.¹⁸ They made up a 2.2% share of the market and had seven (7) banks, representing 1.8% of the branch network, 2.1% of ATMs, 1.3% of bank accounts and 2.0% of staff. Banks from the ROTW represented 2.3% of deposits and 2.5% of loans to customers. They contributed 2.1% to the overall net provisional income.

3.1.2. Activities and results of credit institutions

3.1.2.1. Uses

Banking system uses stood at 41,460.7 billion at the end of 2020, showing 14.9% growth over the year, compared with 10.4% in 2019. Their composition remained dominated by loans to customers (60.3%) and investment securities (25.9%). Financial fixed assets, other fixed assets and miscellaneous assets accounted for 0.6%, 10.4% and 2.9% respectively.

Graph 8: Trends in credit institution uses (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

Loans to customers, net of provisions, increased by 8.3% year over year to reach 24,981.1 billion at the end of 2020. They were made up of short-term loans (51.5%), medium-term loans (39.2%), long-term loans (4.4%), financial leases¹⁹ (1.1%) and overdue loans (3.8%).

Short-term loans amounted to 12,870.5 billion, up 9.7% on an annual basis compared with a decline of 1.4% at the end of 2019.

Medium-term loans totaled 9,797.1 billion, up 9.0% on an annual basis, compared with 32.1% the previous year.

Long-term loans, which stood at 1,094.3 billion, rose by 7.2% in 2020, compared with 12.2% in 2019.

Leasing operations totaled 262.0 billion, up by 14.2% on an annual basis at the end of December 2020, against 39.0% one year earlier.

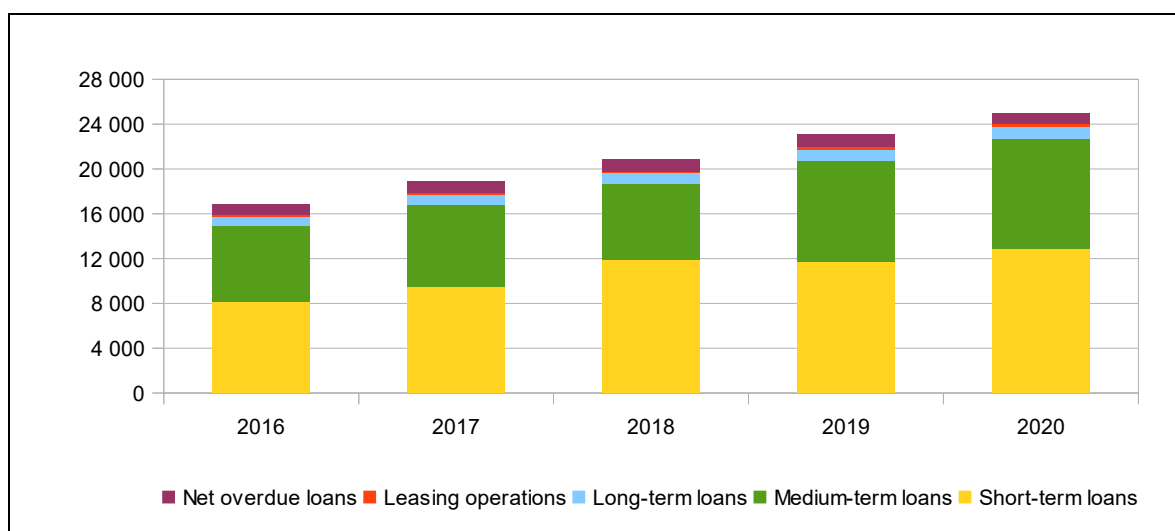
Net past due loans amounted to 957.2 billion, down 12.2% in 2020 compared to an increase of 2.2% in 2019.

¹⁷ South Africa (Standard Bank) - Mauritius (African Guarantee Fund, whose operational headquarters is located in Kenya).

¹⁸ Saudi Arabia (Tamweel Africa Holding) - United States (Citigroup) - Lebanon (Crédit Libanais) - Switzerland (Afriland First Group).

¹⁹ Leasing operations.

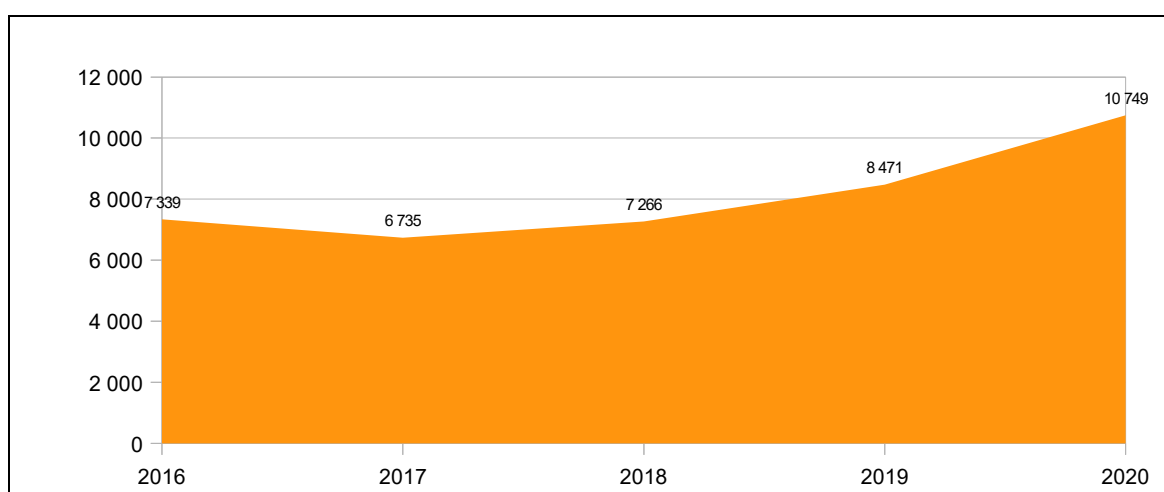
Graph 9: Analysis of the structure of loans granted by credit institutions (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

Investment securities stood at 10,749.1 billion at the end of 2020, showing growth of 2,277.9 billion (+26.9%) over the year, compared with 16.6% in 2019.

Graph 10: Trends in credit institution investment securities (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

Financial fixed assets were estimated at 237.8 billion at the end of 2020, up 10.4 billion (+4.6%).

Other fixed assets amounted to 4,301.0 billion at the end of 2020, up by 996.3 billion (+30.1%).

Miscellaneous uses increased by 178.2 billion (+17.6%) over the year to stand at 1,191.6 billion at the end of December 2020.

Trends in the sectoral breakdown of loans granted by credit institutions, as recorded by the BCEAO central credit register, were as follows:

Table 19: Breakdown of loans registered with the central credit register, by business segment

Business segments	2016	2017	2018	2019	2020
Agriculture, forestry and fisheries	3%	4%	5%	3%	3%
Extractive industries	2%	2%	2%	2%	2%
Manufacturing industries	17%	16%	16%	14%	14%
Electricity, gas and water	4%	6%	6%	5%	5%
Public works and civil engineering	9%	10%	10%	10%	10%
Retail, restaurants and hotels	33%	27%	28%	28%	28%
Transportation, warehousing and communications	10%	12%	10%	11%	11%
Insurance, real estate and services to businesses	7%	7%	7%	7%	8%
Community services and social services	15%	16%	16%	20%	19%
TOTAL	100%	100%	100%	100%	100%

Source: BCEAO

As at the end of December 2020, the trends in the Herfindahl-Hirschman concentration index (HHI), based on loans to customers, were as shown in the table below:

Table 20: Trends in the Herfindahl-Hirschman Index in the WAMU countries

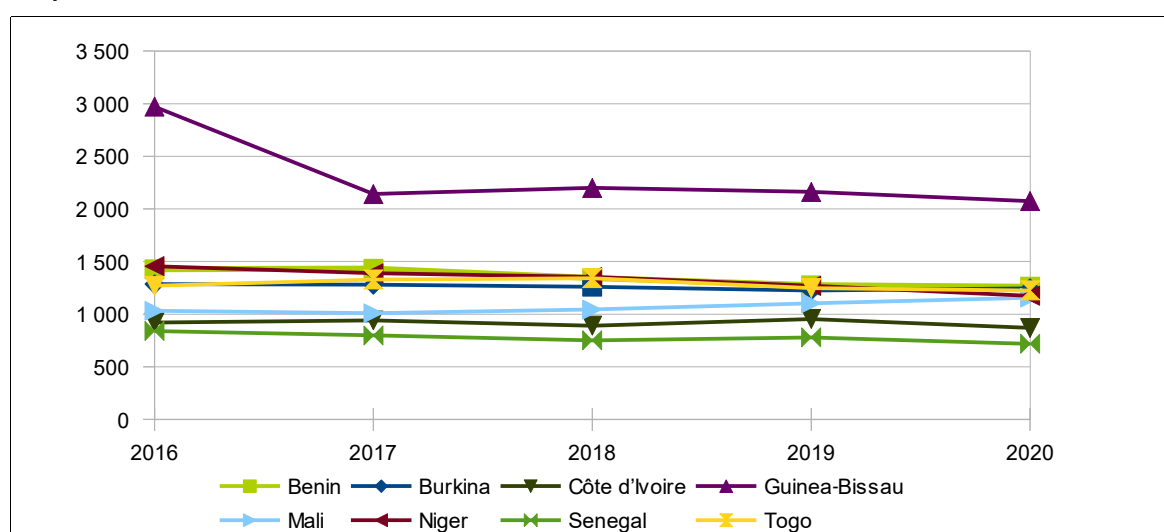
Country	2016	2017	2018	2019	2020
Benin	1,427	1,432	1,344	1,275	1,261
Burkina Faso	1,285	1,279	1,261	1,225	1,245
Côte d'Ivoire	921	941	891	954	869
Guinea-Bissau	2,971	2,141	2,199	2,162	2,074
Mali	1,032	1,009	1,044	1,104	1,156
Niger	1,456	1,388	1,354	1,269	1,174
Senegal	840	798	751	779	718
Togo	1,269	1,329	1,342	1,248	1,225
WAMU	192	197	194	197	190

Source: General Secretariat of the WAMU Banking Commission

The evidence suggests that the concentration of loans in the banking sector was very high in Guinea-Bissau and rather low in Côte d'Ivoire and Senegal. It was average in the other countries of the Union.

Between 2016 and 2020, the HHI showed a downward trend in all countries except Mali, as well as in the Union as a whole. While the impact of this concentration within the banking sector can be seen, still appears to be relatively limited at the WAMU level.

Graph 11: Trends in the Herfindahl-Hirschman Index in the Union



Source: General Secretariat of the WAMU Banking Commission

Box No. 3: Measurement of market concentration based on the Herfindahl-Hirschman Index (HHI)

Concentration studies within an economic sector often use the Herfindahl-Hirschman Index, or HHI for short. The index is calculated by adding up the squares of the market shares (usually multiplied by 100) of all the businesses in the sector concerned according to the following formula:

$$IHH = \sum_{i=1}^n S_i^2$$

where S_i is the market share of the business i
 n represents the total number of credit institutions

The higher the HHI of a given market, the more production is concentrated among a small number of firms, thus creating a risk of oligopoly situations. The HHI is also used to measure the potential impact of a merger. A distinction is usually made between three (3) zones:

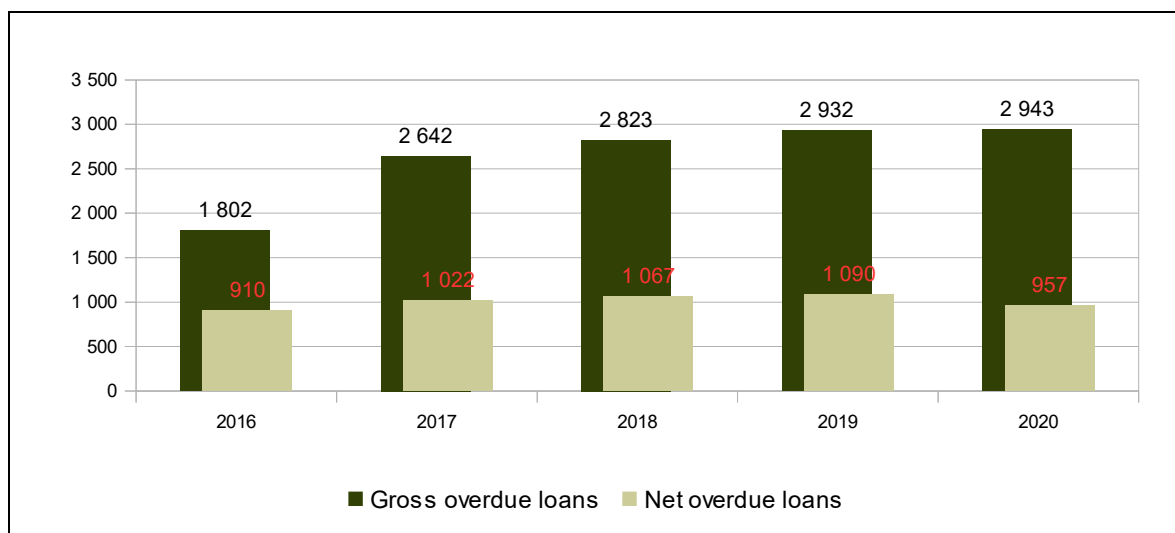
- HHI < 1,000: low concentration sector. In this case, the Competition Authority of the sector could authorize any merger or partial transfer of assets since it would not pose a risk of abuse of market power;
- 1,000 < HHI < 2,000: intermediate zone (medium concentration sector). The Competition Authority should verify that the HHI, following the merger, does not increase by more than 250 points, in which case the proposed merger/partial asset transfer would not be allowed;
- HHI > 2,000: the sector is concentrated and corresponds to a high risk zone. The Competition Authority should verify that the HHI, following the merger, does not increase by more than 150 points, in which case the proposed merger/partial asset transfer would not be allowed.

3.1.2.2. Quality of the portfolio

Gross outstanding loans increased by 11.8 billion (+0.4%) to reach 2,943.4 billion at the end of December 2020, compared to 2,931.6 billion the year before.

After deducting provisions of 1,986.2 billion, which increased by 144.7 billion (+7.9%), the banking system's net past due loans stood at 957.2 billion at the end of 2020, a decrease of 132.9 billion (-12.2%).

Graph 12: Trends in the gross and net amounts of overdue loans (in billions of CFA F)

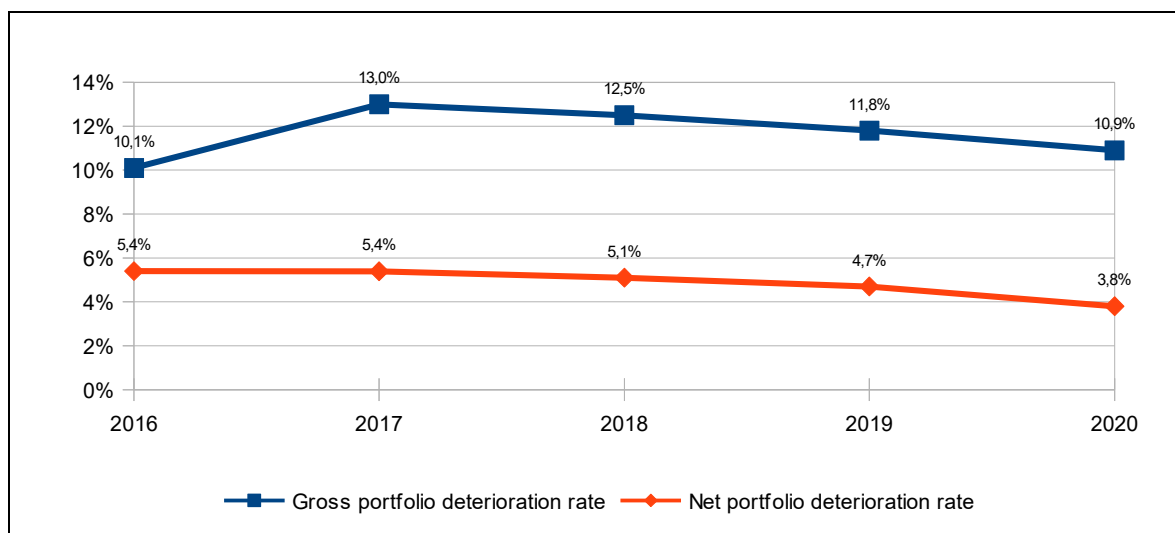


Source: General Secretariat of the WAMU Banking Commission

The gross NPL ratio stood at 10.9% at the end of December 2020 compared to 11.8% in 2019, improving by 0.9 percentage points. The net ratio also decreased by 0.9 percentage points to 3.8% in 2020 against 4.7% a year earlier.

The provisioning rate stood at 67.5% at the end of December 2020, up 4.7 percentage points compared to the same period one year prior.

Graph 13: Trends in the portfolio deterioration rates of credit institutions



Source: General Secretariat of the WAMU Banking Commission

3.1.2.3. Resources

The resources of the credit institutions in the Union increased by 15.8% year over year. Reaching a total of 38,691.7 billion at the end of 2020, they consisted of deposits and borrowings (85.3%), net equity (10.7%) and other resources²⁰ (40%).

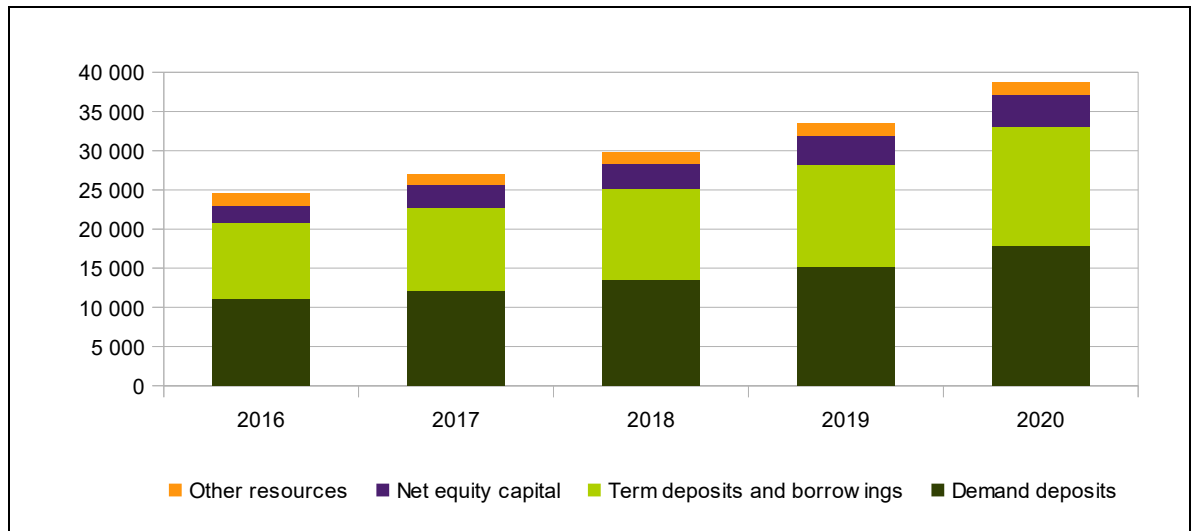
²⁰ Other resources consisted of outstanding payments on investment securities and portfolio activity, trading securities on the liabilities side, conditional instruments sold, settlement accounts for securities transactions, liaison accounts on the liabilities side, miscellaneous accounts payable, provisions, suspense and accrual accounts and outstanding payments on financial assets.

Deposits and borrowings increased by 17.0% annually to 33,007.3 billion at the end of 2020. They consisted of demand deposits (17,919.1 billion; 54.3%) and term deposits (15,088.2 billion; 45.7%), which increased by 18.1% and 15.8% respectively during the period under review.

Net equity of the banking system increased by 474.3 billion (+12.9%), from 3,672.6 billion in 2019 to 4,147.0 billion one year later.

Other resources increased by 1.0 billion (+0.1%), year over year, to stand at 1,537.4 billion at the end of 2020.

Graph 14: Trends in credit institution resources (in billions of CFA F)

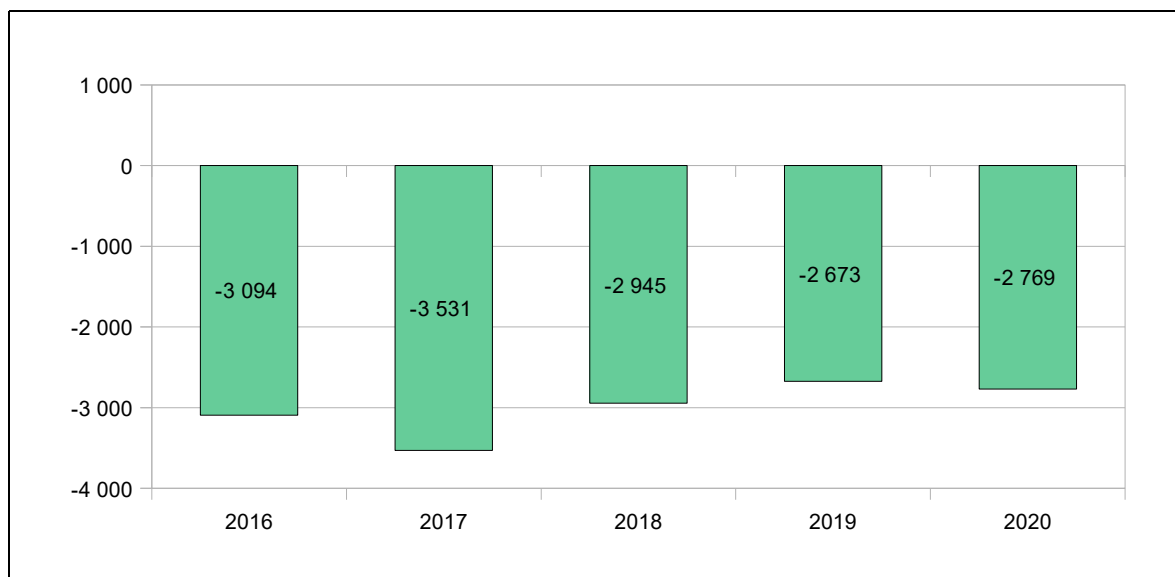


Source: General Secretariat of the WAMU Banking Commission

3.1.2.4. Cash position

The cash position of the Union's credit institutions remained in deficit, dropping from -2,672.8 billion as at December 31, 2019 to -2,769.0 billion at the end of 2020, a deterioration of 96.1 billion (+3.6%).

Graph 15: Trends in the cash position of credit institutions (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

3.1.2.5. Financial results

The net banking income (NBI) of the Union totaled 2,347.7 billion in 2020, up 8.0% annually. It was mainly composed of net income from customer transactions and income from securities and miscellaneous transactions, which accounted for 65.5% and 31.5%, respectively, compared with 69.5% and 28.4% in 2019.

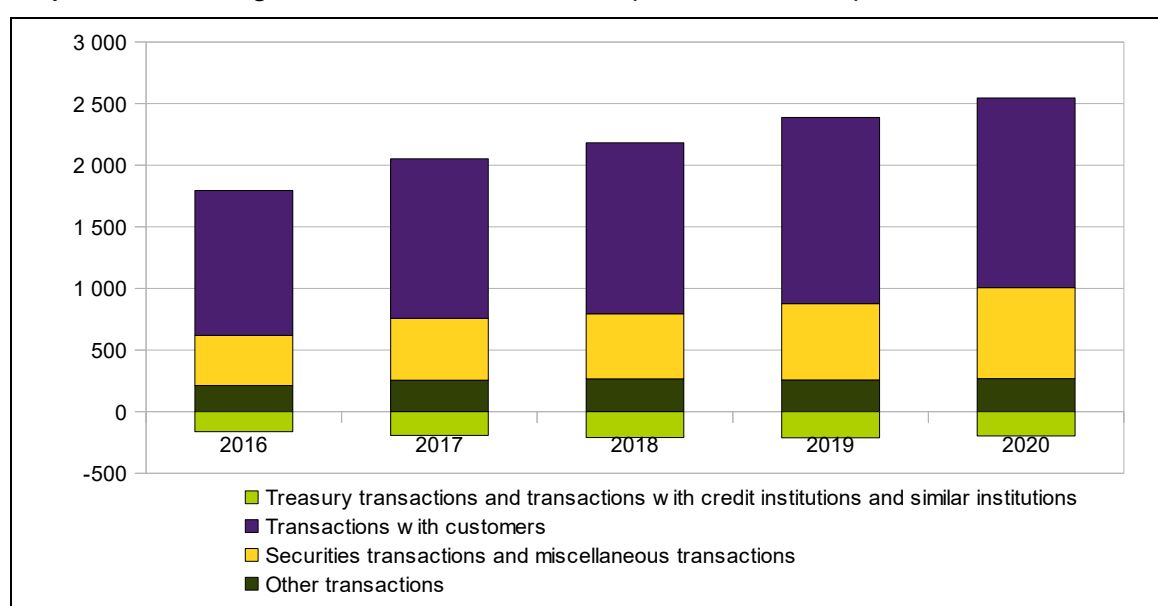
Net income from transactions with customers increased by 1.7% to stand at 1,538.3 billion in 2020 against 1,512.1 billion in 2019.

Net income from securities transactions and miscellaneous transactions increased by 19.8% to 740 billion in 2020 from 617.8 billion one year earlier.

Income from treasury transactions and transactions with credit institutions and similar institutions showed a deficit of 197.4 billion in 2020 compared with a deficit of 212.7 billion a year earlier, an improvement of 15.3 billion (+7.2%).

Income from other transactions (foreign exchange, off-balance sheet, financial services and miscellaneous) increased by 9.3 billion, or 3.6%, from 257.6 billion in 2019 to 266.9 billion in 2020.

Graph 16: Net banking income trends and breakdown (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

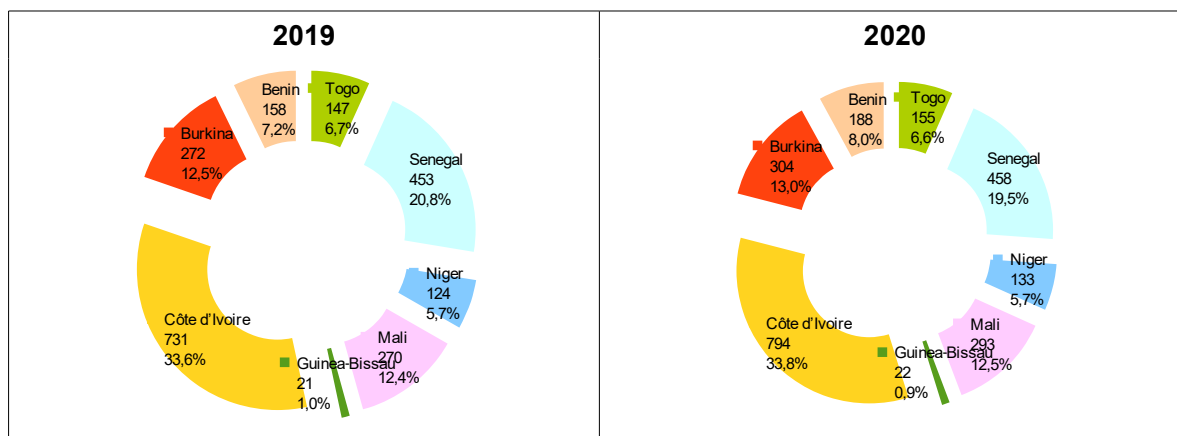
Driven by growth in NBI, total operating income rose from 2,264.8 billion to 2,446.1 billion in 2020, an increase of 8.0%.

Gross operating income followed the same trend, growing by 15.2% to 939.1 billion, despite a 4.2% increase in overhead expenses.

Operating income, including the cost of risk, stood at 621.0 billion at the end of FY 2020, up from 530.1 billion a year earlier, an increase of 17.1%.

Overall provisional net income increased by 19.8% to 551.8 billion at the end of 2020 from 460.6 billion in 2019. The profits generated by all the banking centers can be broken down as follows, in order of magnitude: Côte d'Ivoire (242.5 billion), Burkina Faso (92.5 billion), Senegal (85.4 billion), Mali (61.9 billion), Benin (24.5 billion), Niger (23.9 billion), Togo (18.4 billion) and Guinea-Bissau (2.8 billion).

Graph 17: Net banking income by banking center in 2019 and 2020 (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

3.1.2.6. Key operating ratios

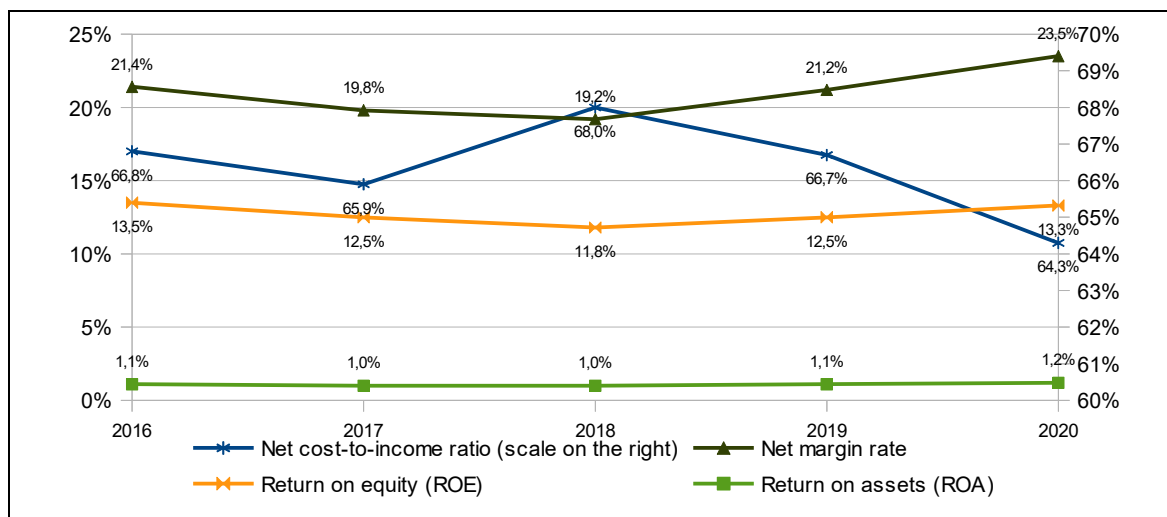
The net cost-to-income ratio, which measures the level of absorption of the NBI by overhead costs, fell by 2.4 percentage points year over year, from 66.7% in 2019 to 64.3% in 2020.

The net margin rate, which measures profitability as a ratio of net income to net banking income, increased by 2.3 percentage points to 23.5% as at December 31, 2020 from 21.2% a year earlier.

The profitability coefficient (ROE),²¹ which measures return on equity as a proportion of net income, rose by 0.8 percentage points to reach 13.3% at the end of 2020 compared with 12.5% in 2019.

The return on assets ratio (ROA),²² which determines the ratio of net income to total assets, was 1.2% at the end of the year under review compared with 1.1% in 2019.

Graph 18: Trends in the key banking system ratios



Source: General Secretariat of the WAMU Banking Commission

²¹ Return on Equity (ROE)
²² Return on Assets (ROA)

Table 21: Summary of the activities and key ratios of credit institutions*(Amounts in millions of CFA F)*

HEADINGS	12/31/2018	12/31/2019	12/31/2020 (*)	Change 2020/2019
NET USES (1+2)	32 695 376	36 086 018	41 460 654	14,9%
1. LOANS (a+b+c+d+e)	20 849 089	23 069 232	24 981 133	8,3%
a) Short-term loans	11 899 377	11 736 747	12 870 500	9,7%
b) Medium-term loans	6 807 505	8 991 733	9 797 122	9,0%
c) Long-term loans	910 143	1 021 190	1 094 304	7,2%
d) Leasing operations	165 122	229 516	262 022	14,2%
e) Overdue loans	1 066 942	1 090 046	957 186	-12,2%
2. OTHER USES (a+b+c+d)	11 846 287	13 016 786	16 479 521	26,6%
a) Investment securities	7 265 816	8 471 238	10 749 140	26,9%
b) Financial assets	213 104	227 393	237 751	4,6%
c) Other fixed assets	3 166 141	3 304 714	4 301 042	30,1%
d) Miscellaneous	1 201 226	1 013 442	1 191 587	17,6%
RESOURCES (1+2+3)	29 750 406	33 413 212	38 691 702	15,8%
1. DEPOSITS AND BORROWINGS (a+b)	25 119 179	28 204 144	33 007 287	17,0%
a) Demand deposits	13 473 281	15 176 396	17 919 082	18,1%
b) Term deposits	11 645 898	13 027 749	15 088 205	15,8%
2. NET EQUITY CAPITAL (a+b)	3 204 807	3 672 645	4 146 983	12,9%
a) Capital, grants & reserves	2 964 826	3 393 490	3 859 226	13,7%
b) Other	239 981	279 155	287 757	3,1%
3. OTHER RESOURCES	1 426 421	1 536 423	1 537 432	0,1%
CASH: RESOURCES - USES	-2 944 969	-2 672 806	-2 768 952	3,6%
TRENDS IN INCOME				
TRANSACTIONS WITH THE TREASURY AND INTERBANK TRANSACTIONS	-210 223	-212 722	-197 435	-7,2%
TRANSACTIONS WITH CUSTOMERS	1 388 316	1 512 073	1 538 302	1,7%
SECURITIES TRANSACTIONS AND MISCELLANEOUS TRANSACTIONS	527 833	617 830	740 001	19,8%
LEASING AND RELATED TRANSACTIONS				
MISCELLANEOUS TRANSACTIONS	265 849	257 613	266 882	3,6%
DEDUCTION OF INTEREST ON OVERDUE RECEIVABLES				
1. NET BANKING OR FINANCIAL INCOME	1 971 776	2 174 794	2 347 749	8,0%
NET ANCILLARY REVENUES	71 189	90 008	98 397	9,3%
2. TOTAL OPERATING INCOME	2 042 965	2 264 802	2 446 146	8,0%
OVERHEAD COSTS	-1 206 266	-1 309 851	-1 364 325	4,2%
NET DEPRECIATION & PROVISIONS ON FIXED ASSETS	-116 359	-139 586	-142 717	2,2%
3. GROSS OPERATING INCOME	720 340	815 365	939 104	15,2%
NET DEPRECIATION ON RISKS AND LOSS ON UNCOLLECTABLE DEBTS	-286 773	-303 808	-333 251	9,7%
REINSTATEMENT OF INTEREST ON OVERDUE RECEIVABLES	2 820	18 559	15 166	-18,3%
4. OPERATING INCOME	436 386	530 115	621 019	17,1%
NET EXTRAORDINARY INCOME	26 558	28 546	22 071	-22,7%
TAX ON PROFITS	-83 528	-98 069	-91 242	7,0%
5. NET RESULT	379 417	460 592	551 848	19,8%

() Preliminary figures**Source: General Secretariat of the WAMU Banking Commission*

KEY RATIOS	31/12/2018	31/12/2019	12/31/2020 (*)	Difference (2020-2019)
GROSS CUSTOMER PORTFOLIO DETERIORATION RATE <i>Gross overdue receivables / Total gross loans</i>	12,5%	11,8%	10,9%	-0,9
NET CUSTOMER PORTFOLIO DETERIORATION RATE <i>Net overdue receivables / Total net loans</i>	5,1%	4,7%	3,8%	-0,9
RATIO OF COVERAGE OF OVERDUE LOANS <i>Provisions set up / Gross overdue receivables</i>	62,2%	62,8%	67,5%	4,7
RATIO OF COVERAGE OF DOUBTFUL AND DISPUTED RECEIVABLES <i>Provisions set up / Gross doubtful and disputed receivables</i>	67,5%	70,2%	73,5%	3,4
AGGREGATE MARGIN <i>Return on loans - Cost of capital</i>	5,2%	5,2%	5,0%	-0,2
NET COST-TO-INCOME RATIO <i>(Overhead costs+Depreciation expenses) / Net Banking Income</i>	68,0%	66,7%	64,3%	-2,4
NET PROVISIONING RATE <i>Net allocations to provisions / (Gross operating income + Impaired interest)</i>	39,7%	36,4%	34,9%	-1,5
NET MARGIN RATE <i>Net income / Net banking income</i>	19,2%	21,2%	23,5%	2,3
RETURN ON EQUITY <i>Net result / Equity capital</i>	11,8%	12,5%	13,3%	0,8
RETURN ON ASSETS <i>Net result / Total assets</i>	1,0%	1,1%	1,2%	0,1

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

3.1.3. Activities and results of regional SIFIs

The twenty-two (22) national systemically important financial institutions (SIFIs) had a balance sheet total of 18,957.6 billion representing 39.7% of total banking assets in the Union, up 8.5% compared to 2019.

Table 22: National distribution of SIFIs

Country	Number of SIFIs	Balance sheet total (millions of CFA F)	Local market share	Market weight in the Union	Windows	ATMs	Bank accounts	Staff
Benin	2	1,819.9	37.7%	3.8%	98	143	832,018	1,284
Burkina Faso	4	3,666.3	54.5%	7.7%	157	267	1,470,432	1,813
Côte d'Ivoire	3	5,645.2	35.4%	11.8%	197	389	1,737,316	2,871
Guinea-Bissau	1	75.8	22.1%	0.2%	6	22	47,509	106
Mali	3	2,385.4	42.4%	5.0%	225	165	645,391	1,078
Niger	3	944.0	46.8%	2.0%	66	110	500,337	808
Senegal	4	3,248.2	37.0%	6.8%	177	283	964,982	2,555
Togo	2	1,172.9	33.9%	2.5%	79	70	476,479	432
WAMU	22	18,957.6	39.7%	39.7%	1,005	1,449	6,674,464	10,947

Source: General Secretariat of the WAMU Banking Commission

National SIFIs accounted for 26.7% of the windows, controlled 39.4% of ATMs, held 43.3% of customer bank accounts and employed 33.5% of banking system staff in the WAMU Union in 2020.

Their resources and uses represented respectively 40.7% and 40.0% of those of the WAMU banking system. Their deposits and loans represented respectively 40.9% and 40.8% of those of the Union.

As at December 31, 2020, gross outstanding loans of national SIFIs had risen by 9.6 billion (+0.9%) compared to an increase of 11.8 billion at the Union level. It reached 1,077.8 billion at the end of December 2020 against 1,068.2 billion a year earlier, i.e. 36.6% of the total of the WAMU banking system.

After deducting provisions of 812.3 billion, up by 67.1 billion (+9.0%), representing 40.9% of provisions at the level of the Union, the net outstanding debts of national SIFIs amounted to 265.6 billion at the end of the period under review, as against 323.1 billion one year earlier, i.e. a drop of 57.5 billion (-17.8%).

The gross portfolio deterioration rate of national SIFIs stood at 9.8% as at December 31, 2020 compared to 10.1% in 2019, improving by 0.3 percentage points. The net rate also decreased by 0.7 percentage points, ringing in at 2.6% in 2020 against 3.3% a year earlier.

The provisioning rate stood at 75.4% at the end of December 2020, up 5.6 percentage points compared to the same period the previous year.

The cash position of national SIFIs remained in deficit, but rose, however, from -1,453.1 billion as at December 31, 2019 to -843.2 billion at the end of 2020, an improvement of 609.9 billion (+42.0%).

The SIFIs' overall provisional net income rose by 4.6% to stand at 301.4 billion at the end of 2020 from 288.2 billion in 2019. Twenty-two (22) national SIFIs generated 54.6% of the provisional net profit of the WAMU banking system in 2020.

Table 23: Share of national SIFIs by indicator and by country

Country	Uses	Loans	Resources	Deposits	Net result
Benin	38.3%	40.5%	37.7%	37.8%	71.0%
Burkina Faso	53.0%	54.0%	55.4%	56.2%	66.2%
Côte d'Ivoire	36.0%	36.3%	36.5%	36.5%	43.2%
Guinea-Bissau	24.0%	21.4%	23.8%	20.9%	19.0%
Mali	41.4%	43.4%	41.6%	41.9%	58.1%
Niger	47.1%	45.0%	49.2%	50.8%	78.0%
Senegal	37.7%	38.9%	39.0%	39.4%	57.8%
Togo	36.4%	36.1%	34.9%	35.0%	74.1%
WAMU	40.0%	40.8%	40.7%	40.9%	54.6%

Source: General Secretariat of the WAMU Banking Commission

Box No. 4: List of Systemically Important Financial Institutions (SIFIs) in the Union

According to the terms of Article 22, paragraph 3, of the Annex to the Agreement Governing the Banking Commission, “*The Banking Commission shall periodically establish and publish a list of banking institutions of systemic importance at the national and regional levels based on a methodology disseminated to the banking profession*”.

SIFIs are institutions whose failure, owing to their size, complexity, volume of activities or systemic interconnection, could jeopardize the financial system and economy of the Union.

In accordance with the regulatory provisions in force, the BCEAO has drawn up and published Notification No. 001-12-2019 of December 19, 2019, on the methodology for identifying SIFIs and determining the capital surcharge applicable to them.

On the basis of this methodology, the Banking Commission published its first list of SIFIs during its March 27, 2020 session. Six (6) financial companies were included in the list of regional SIFIs and twenty-two (22) banks were included in the list of national SIFIs.

LIST OF REGIONAL SIFIs AS AT DECEMBER 31, 2020		HOME COUNTRY
1	Ecobank Transnational Incorporated	Togo
2	Atlantic Business International	Côte d'Ivoire
3	BOA West Africa	Côte d'Ivoire
4	Attijari West Africa	Côte d'Ivoire
5	Oragroup	Togo
6	Manzi Finances	Côte d'Ivoire

LIST OF NATIONAL SIFIs AS AT DECEMBER 31, 2020			
1	NSIA Banque Bénin	12	Banque de Développement du Mali
2	Bank Of Africa Bénin	13	Banque Atlantique Mali
3	Coris Bank International (Burkina)	14	Bank Of Africa Niger
4	Ecobank - Burkina	15	Société Nigérienne de Banque
5	Bank Of Africa – Burkina Faso	16	Ecobank - Niger
6	Banque Internationale pour le Commerce, l'Industrie et l'agriculture du Burkina	17	CBAO, Groupe Attijariwafa bank
7	Banque Atlantique Côte d'Ivoire	18	Société Générale Sénégal
8	Société Générale Côte d'Ivoire	19	Banque Atlantique Sénégal
9	Ecobank - Côte d'Ivoire	20	Ecobank - Sénégal
10	Ecobank - Guinée-Bissau	21	Orabank Togo
11	Banque Malienne de Solidarité	22	Ecobank - Togo

3.1.4. Financial company landscape

As at December 31, 2020, there were seventeen (17) financial companies in the Union, compared to sixteen (16) the year before. They were distributed as follows:

Table 24: Number of financial companies

Countries	Financial holding companies	Intermediate financial holding companies	Total
Benin	-	-	-
Burkina Faso	1	-	1
Côte d'Ivoire	7	3	10
Guinea-Bissau	-	-	-
Mali	-	-	-
Niger	-	-	-
Senegal	2	1	3
Togo	3	-	3
WAMU	13	4	17

Source: General Secretariat of the WAMU Banking Commission

3.1.5. Activities and results of financial companies

The activities and results of financial companies as at December 31, 2020 were analyzed on the basis of the statements filed by fourteen (14) regulated institutions²³ of the total of seventeen (17).

At the end of 2020, these financial companies posted a balance sheet total of 33,117.6 billion, up 11.7% compared to the end of 2019. This positive trend was due to growth in the assets of entities located in Burkina Faso (+43.4%), Côte d'Ivoire (+2.4%), Senegal (+172.3%) and Togo (+4.3%).

Table 25: Financial company balance sheet totals

Countries	Balance sheet total (in billions of CFA F)		Change 2020/2019
	2019	2020	
Burkina	2,509.9	3,599.9	43.4%
Côte d'Ivoire	9,949.6	10,185.6	2.4%
Senegal	841.6	2,291.6	172.3%
Togo	16,390.9	17,102.0	4.3%
WAMU	29,692.0	33,117.6	11.7%

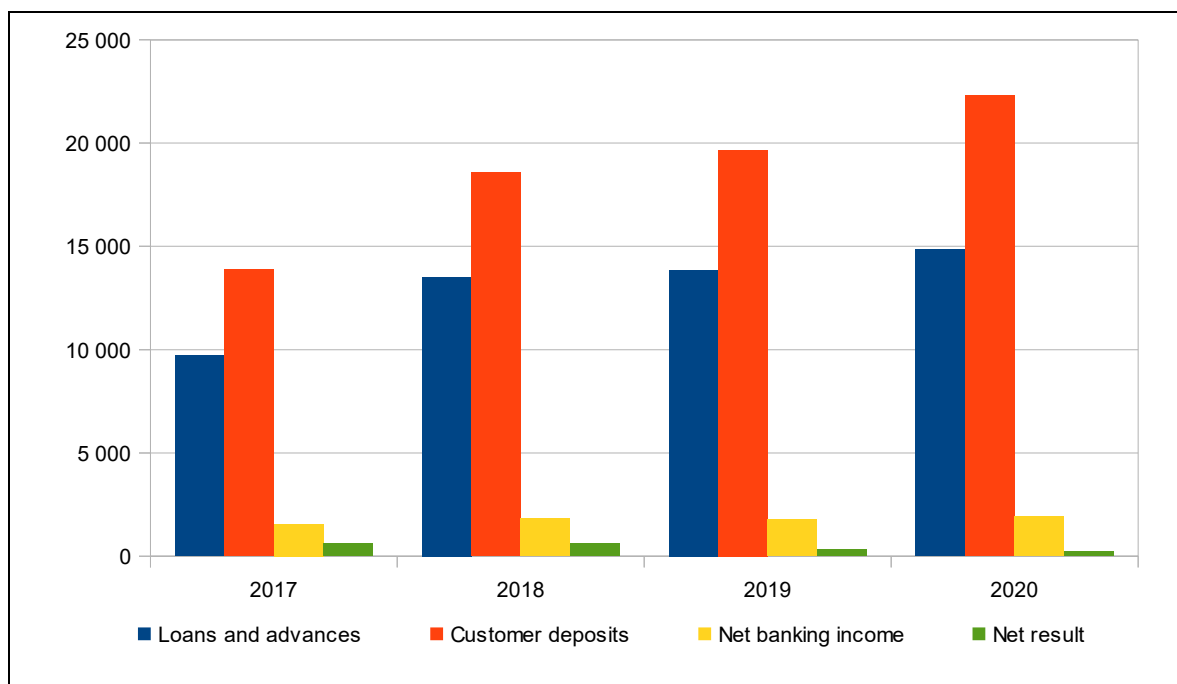
Source: General Secretariat of the WAMU Banking Commission

Loans and advances to customers of these entities increased by 7.2% over the year, reaching 14,842.2 billion at the end of 2020. Amounts owed to customers increased by 13.5% to stand at 22,321.1 billion as at December 31, 2020.

Net banking income amounted to 1,905.0 billion compared with 1,759.9 billion the previous year, an increase of 8.2%. The provisional net income of financial companies regressed by 31.7%, standing at 212.7 billion against 311.6 billion in 2019.

²³ Three (3) of the seventeen (17) financial companies did not file statements. The shares of their subsidiaries in the Union, in terms of the balance sheet total, were as follows: Attijari West Africa (6.8%), Standard Holdings Côte d'Ivoire (0.3%) and Atlantic Financial Group (0.3%).

Graph 19: Activities and results of financial companies (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

3.1.6. Activities and results of regional SIFIs

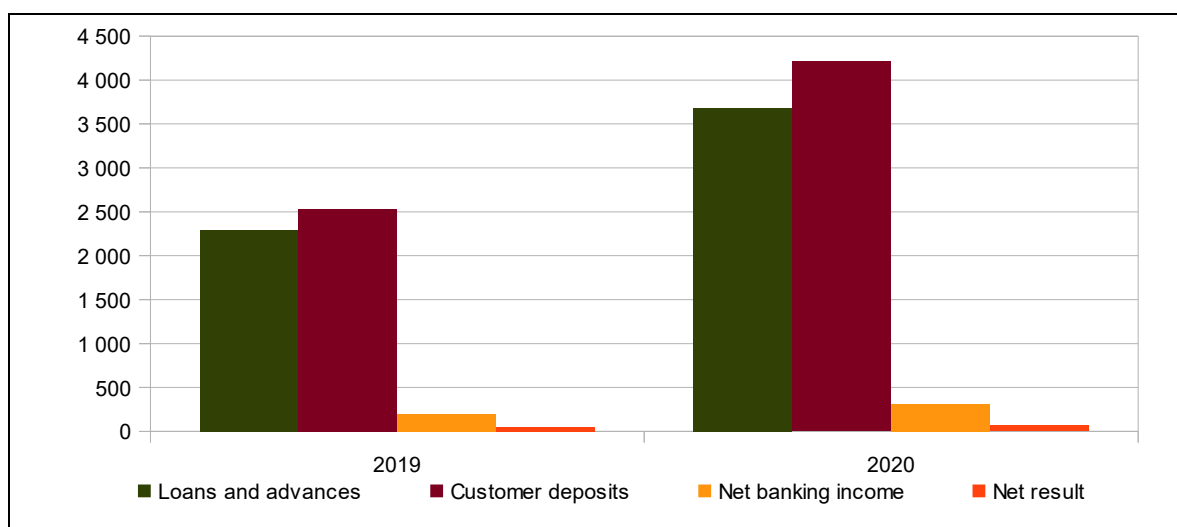
Among the financial companies in the Union, six (6) were regional systemically important financial Institutions (SIFIs), and five (5) had filed statements as of December 31, 2020.

During the period under review, they posted a balance sheet total of 6,725.7 billion representing 20.3% of the total assets of financial companies, up 72.0% from 2019.

Loans and advances to customers and customers deposits amounted to 3,682.9 billion and 4,211.3 billion respectively, up 60.5% and 66.1% on an annual basis. They represented respectively 24.8% and 18.9% of those of all financial companies in the Union.

The regional SIFIs registered a provisional overall net result of 64.8 billion, i.e. 21.3% of the total result of financial companies, up by 35.7% on an annual basis.

Graph 20: Activities and results of regional SIFIs (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

3.2 MICROFINANCE SECTOR

3.2.1. Landscape of Decentralized Financial Systems

Microfinance is governed by the Uniform Act regulating microfinance institutions (MFIs) and its implementing instruments. According to the provisions of Article 44 of the Act and those of BCEAO Instruction No. 007-06-2010 of June 4, 2010 on the modalities of supervision and sanctioning of DFSs by the Central Bank and the Banking Commission, the BCEAO and the community's banking supervision body shall proceed, after informing the Minister, with the supervision of any microfinance institution (MFI) whose business transactions reach a minimum threshold of two (2) billion in outstanding deposits or loans at the end of two (2) consecutive fiscal years. The other DFSs that do not reach this minimum threshold are supervised by the Ministries of Finance.

Based on the accounting data submitted for the last two (2) fiscal years, i.e. 2018 and 2019, the number of MFIs falling under Article 44 has risen by fourteen (14) units to reach one hundred and eighty-eight (188) institutions.

The landscape of MFIs in this category includes eighty-four (84) networks and individual institutions and one hundred and four (104) basic banks affiliated with networks. The networks and individual institutions include companies, associations, networks and unaffiliated Mutual or Cooperative Savings and Credit Institutions.

Their breakdown, by country, was as follows:

Table 26: Number of MFIs subject to Article 44

Countries	Networks and Individual Institutions (a)				Basic banks affiliated with networks (b)	Total (a+b)
	Companies	Associations	Networks	Unaffiliated IMCECs		
Benin	2	5	3	1	11	22
Burkina	7	1	3	6	21	38
Côte d'Ivoire	8	-	3	3	10	24
Guinea-Bissau	-	-	-	-	-	-
Mali	3	2	5	-	7	17
Niger	4	-	-	-	-	4
Senegal	3	-	5	3	44	55
Togo	-	-	5	12	11	28
WAMU	27	8	24	25	104	188

Source: General Secretariat of the WAMU Banking Commission

3.2.2. Activities and results of MFIs subject to Article 44

The financial and statistical data analyzed applied to one hundred and eighty-two (182) MFIs, or 96.8% of the larger institutions. They can be broken down as follows:

Table 27: Breakdown of MFIs subject to Article 44 whose data was analyzed

Countries	Networks and Individual Institutions (a)				Basic banks affiliated with networks (b)	Total (a+b)
	Companies	Associations	Networks	IMCECs		
Benin	2	5	3	1	11	22
Burkina Faso	7	1	3	4	21	36
Côte d'Ivoire	8	-	3	3	10	24
Guinea-Bissau	-	-	-	-	-	-
Mali	3	2	5	-	7	17
Niger	3	-	-	-	-	3
Senegal	3	-	4	3	42	52
Togo	-	-	5	12	11	28
WAMU	26	8	23	23	102	182

Source: General Secretariat of the WAMU Banking Commission

As at the end of 2020, these institutions posted a balance sheet total of 2,561.0 billion, up 9.1% compared to the end of 2019, due to the trends in assets in Côte d'Ivoire (+16.4%), Burkina Faso (+14.3%), Niger (+12.5%), Mali (+9.1%), Benin (+6.3%), Togo (+5.7%) and Senegal (+4.5%).

Table 28: Trends in the balance sheet total of MFIs subject to Article 44

Countries	2020		2019		Change 2020/2019
	Balance sheet total (billions of CFA F)	Market weight in the Union	Balance sheet total (billions of CFA F)	Market weight in the Union	
Benin	239,880	9.4%	225,658	9.6%	6.3%
Burkina Faso	448,848	17.5%	392,709	16.7%	14.3%
Côte d'Ivoire	499,151	19.5%	428,750	18.3%	16.4%
Guinea-Bissau	-	-	-	-	-
Mali	222,361	8.7%	203,796	8.7%	9.1%
Niger	16,192	0.6%	14,395	0.6%	12.5%
Senegal	868,530	33.9%	830,857	35.4%	4.5%
Togo	266,083	10.4%	251,686	10.7%	5.7%
WAMU	2,561,044	100%	2,347,851	100.0%	9.1%

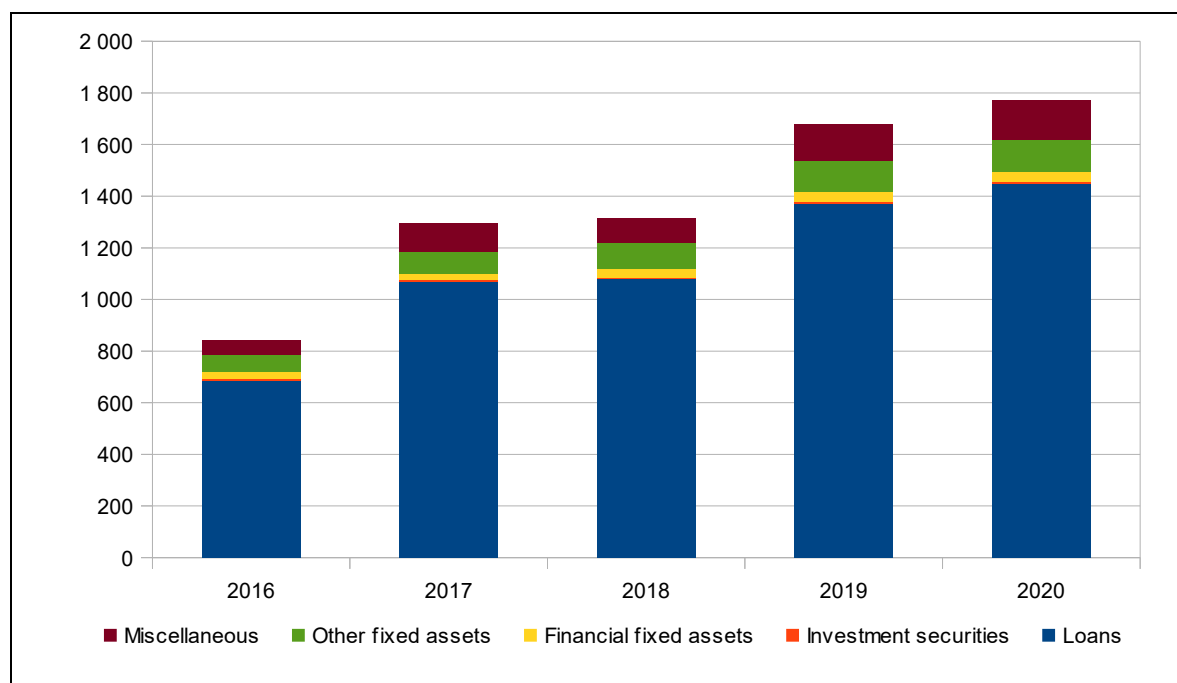
Source: General Secretariat of the WAMU Banking Commission

3.2.2.1. Uses

The uses of MFIs governed by Article 44 increased, in annual variation, by 5.6%, totaling 1,773.1 billion at the end of 2020, with loans to customers accounting for 81.7%, as in 2019.

Financial fixed assets accounted for 2.2% of total assets in 2020 compared with 2.5% one year earlier. Other assets (investment securities, other fixed assets and miscellaneous assets) accounted for 16.1%, compared with 15.9% in 2019.

Graph 21: Trends in MFI uses (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

Loans to customers increased by 5.6% year over year, to reach 1,447.9 billion at the end of 2020. They were made up of short-term loans, medium-term loans, long-term loans, overdue loans and financial leasing operations.

Short-term loans, which stood at 634.2 billion, or 43.8% of total loans, experienced an annual drop of 0.5%.

Medium-term loans stood at 393.8 billion at the end of 2020. They represented 27.2% of total loans, and experienced an annual decline of 7.9%.

Long-term loans were estimated at 301.5 billion at the end of 2020, and accounted for 20.8% of all loans. They grew by 14.6%, year over year.

Net overdue loans, which amounted to 118.3 billion compared with 42.9 billion the year before, showed an annual variation of 175.9%.

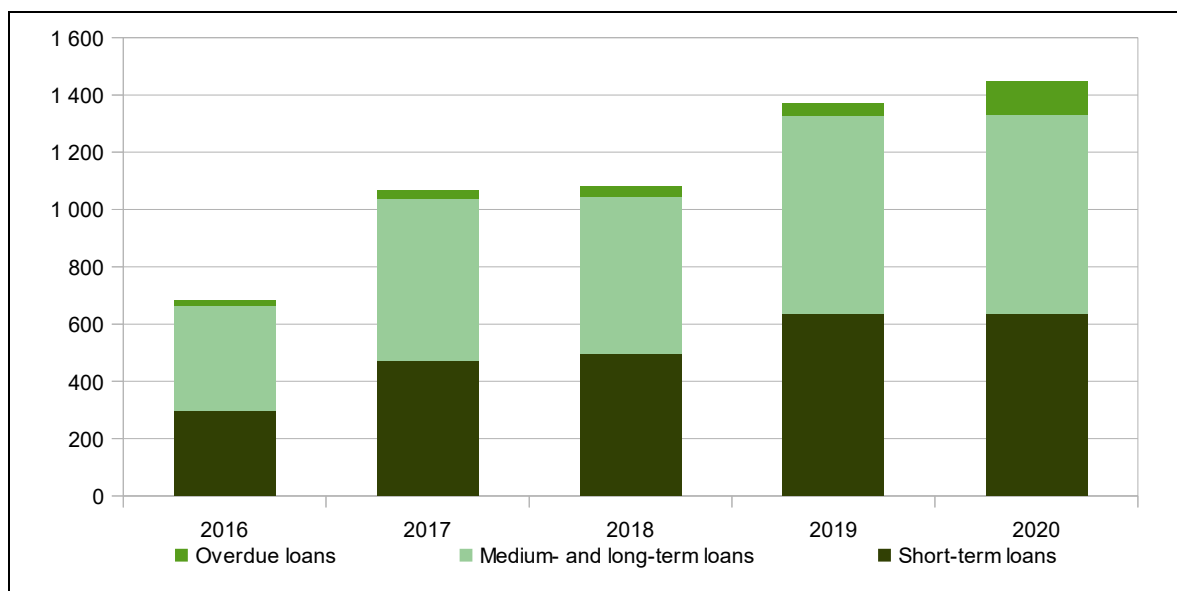
Investment securities were valued at 8.8 billion at the end of 2020, up 36.1% from the previous fiscal year.

Financial fixed assets fell by 4.5% year on year, to stand at 39.8 billion.

Other fixed assets rose by 6.4% over the year, to total 124.4 billion in 2020.

As for miscellaneous uses (related receivables, inventory accounts, miscellaneous debtors, suspense accounts and miscellaneous accounts, etc.), their total reached 152.2 billion in 2020, up by 6.4% compared to 2019.

Graph 22: Analysis of the structure of loans granted by MFIs (in billions of CFA F)



Source: General Secretariat of the WAMU Banking Commission

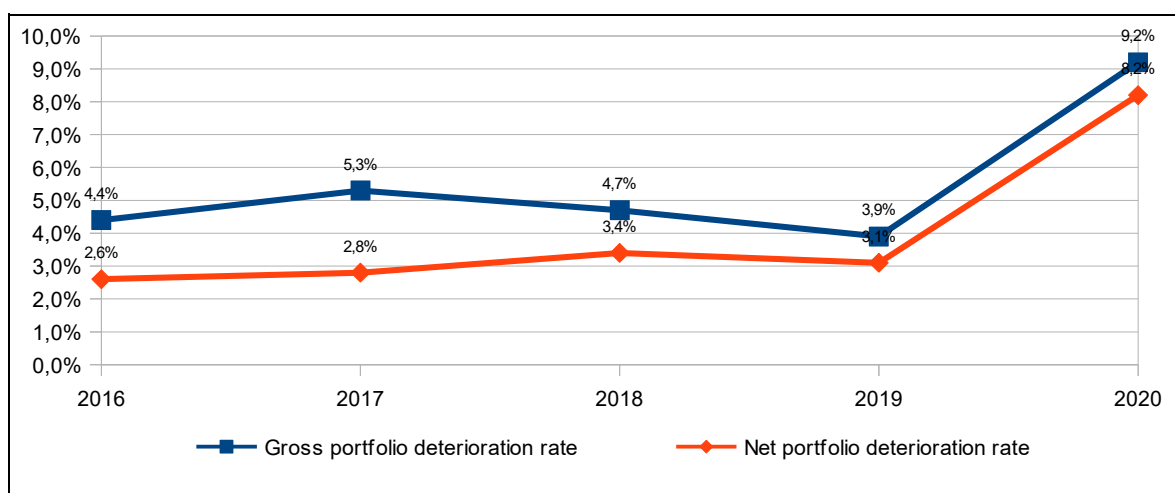
3.2.2.2. Quality of the portfolio

Gross outstanding loans of MFIs subject to Article 44 increased by 150.0%, in annual variation, to stand at 134.7 billion Union-wide at the end of 2020.

The provisioning rate for overdue loans thus stood at 12.2% compared to 20.4% at the end of the 2019 fiscal year.

The gross and net portfolio deterioration rates stood at 9.2% and 8.2%, respectively, at the end of 2020, worsening by 5.3 percentage points and 5.0 percentage points compared to 2019.

Graph 23: Trends in the credit portfolio deterioration rate of MFIs



Source: General Secretariat of the WAMU Banking Commission

3.2.2.3. Resources

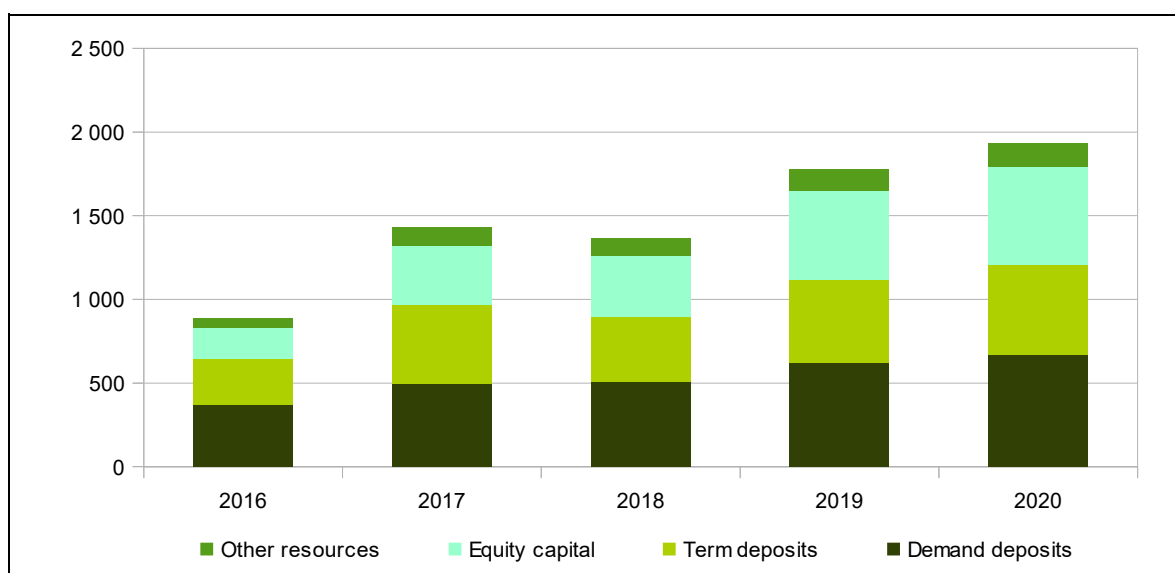
The resources mobilized by MFIs falling under Article 44 grew by 8.7% year on year, reaching 1,933.5 billion as at December 31, 2020. They included deposits and borrowings (62.4%), net equity (30.4%) and other resources (7.2%).

Deposits and borrowings showed an annual increase of 8.0% at the end of 2020, ringing in at 1,206.8 billion. They comprised demand and term deposits, in respective proportions of 55.4% and 44.6%.

The net equity of MFIs subject to Article 44 increased by 10.7% to stand at 586.9 billion against 530.0 billion at the end of 2019.

Other resources (related receivables, payments to be made on securities and financial assets, suspense accounts and miscellaneous accounts, and provisions for risks and expenses) increased by 6.9% to settle at 139.8 billion at the end of December 2020.

Graph 24: Trends in DFS resources (in billions of CFA F)

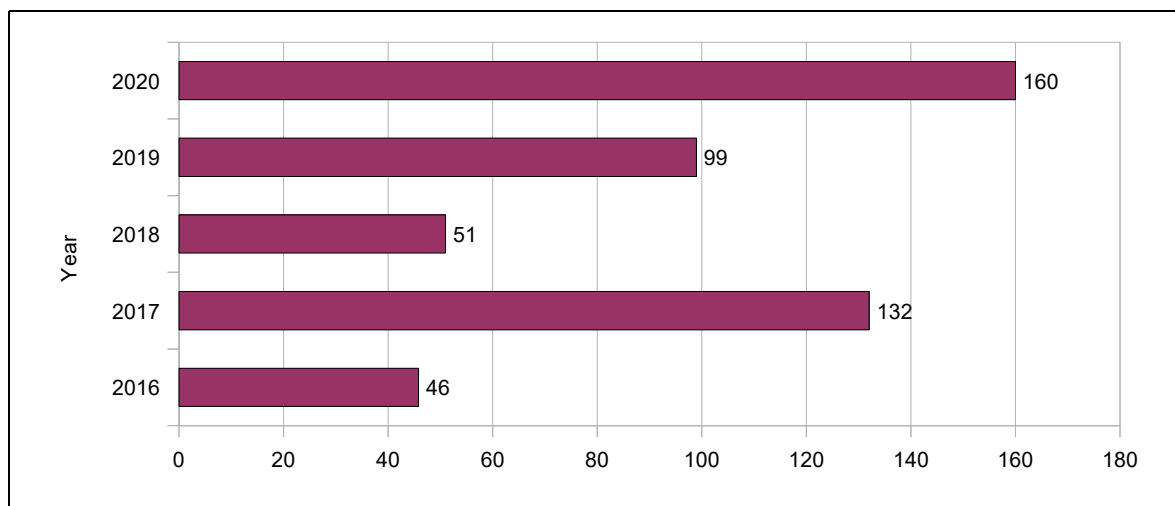


Source: General Secretariat of the WAMU Banking Commission

3.2.2.4. Cash position

The cash positions of MFIs subject to Article 44 continued to show a surplus, standing at 160.4 billion at the end of 2020 compared with 99.4 billion a year earlier, an improvement of 61.4%. This trend was due to the fact that resources grew more significantly (+8.7%) than uses (+6.4%).

Graph 25: Trends in MFI cash positions (in billions of CFA F)

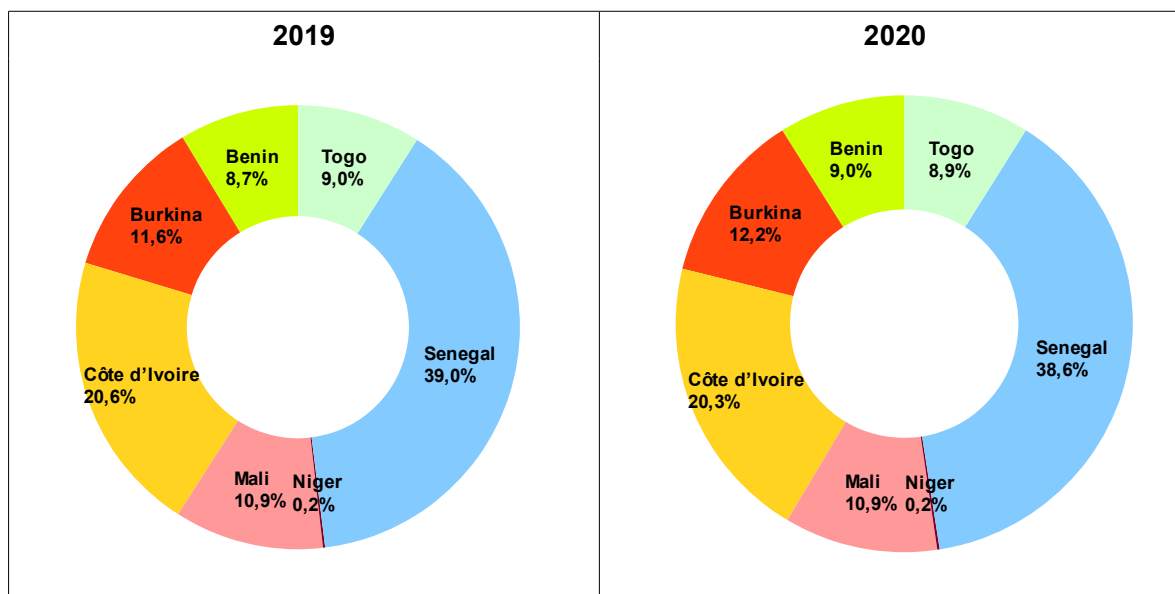


Source: General Secretariat of the WAMU Banking Commission

3.2.2.5. Financial results

As at December 31, 2020, the total net financial income (NFI) of MFIs subject to Article 44 stood at 257.4 billion, up 0.6% year on year.

Graph 26: Net financial income of DFSs by country in 2019 and 2020



Source: General Secretariat of the WAMU Banking Commission

The sluggish growth in NFI generated total operating revenues of 273.3 billion in 2020, compared with 273.9 billion a year earlier, an annual decline of 0.2%.

Gross operating income, at 62.1 billion, also fell by 2.8%, in line with the weak growth in net financial income and the 0.6% increase in overhead costs, which stood at 197.0 billion.

Taking into account net risk provisions of 49.3 billion, operating income stood at 12.8 billion at the end of fiscal year 2020, compared with 26.1 billion a year earlier, a decline of 50.8%.

Net income was also down 38.0%, with a provisional figure of 18.8 billion against an actual net income of 30.3 billion at the end of fiscal year 2019.

These profits were generated by Senegal (8.5 billion), Burkina Faso (5.4 billion), Côte d'Ivoire (4.2 billion), Benin (3.2 billion) and Togo (1.8 billion). Mali and Niger recorded losses of 2.9 billion and 1.4 billion respectively.

3.2.2.6. Key financial ratios

The ratio of operating expenses to loan portfolio decreased by 0.8 percentage points, year over year, to 27.7% in 2020 from 28.5%, against a maximum standard of 35%.

The ratio of overhead costs to the loan portfolio decreased by 0.8 percentage points, year over year, to stand at 13.6% in 2020, as compared to a maximum ceiling of 15% for direct lending institutions and 20% for savings and loan institutions.

The personnel expense ratio declined by 0.2 percentage point, year on year, to reach 6.9% in 2020, compared with 7.1% the year before, against a ceiling of 5% for direct lending institutions and 10% for savings and loans institutions.

Return on equity stood at 2.2% in 2020 compared with 4.8% at the end of 2019, against a minimum standard of 15%. This ratio is calculated by dividing operating income, excluding subsidies, by average equity over the period.

Return on assets stood at 0.5% in 2020 compared with 1.1% at the end of 2019, against a minimum standard of 3%.

Operational self-sufficiency fell by 3.5 percentage points, year over year, to 83.3% in 2020, after 86.8%, against a minimum standard of 130%.

The profit margin, which measures the percentage of operating income earned against total operating revenue, declined by 3.9 percentage points between 2019 and 2020, from 7.7% to 3.8%, compared with a minimum standard of 20%.

The cost-to-income ratio, which indicates the level of absorption of NFI by overhead costs, fell by 0.1 percentage point year on year to 76.6 percent in 2020 from 76.5 percent, against a ceiling of 40% for direct credit institutions and 60% for savings and loan institutions.

The rate of return on assets was 14.7% in 2020 compared with 15.5% the previous year, a drop of 0.8 percentage point, against a minimum standard of 15%. This ratio compares the amount of interest and fees earned on productive assets during the period.

The asset liquidity ratio rose by 1.6 percentage point on an annual basis to 29.6 % in 2020 from 28.0% in 2019, against a minimum standard of 2% for direct credit institutions and 5% for savings and loan institutions.

The capitalization ratio, which is the ratio of equity to total assets, was up by 0.3 percentage point, on an annual basis, reaching 22.9% in 2020 following 22.6% in 2019, compared with a minimum standard of 15%.

Tableau 29: Summary of the activities of MFIs subject to Article 44

(in millions of CFA F)

USES - RESOURCES	30/12/2018	31/12/2019	12/31/2020 (*)	Change 2020 / 2019
NETS USES (1+2)	1 315 266	1 679 167	1 773 074	5,6%
1. LOANS (a+b+c+d+e)	1 082 862	1 371 123	1 447 859	5,6%
a) Short-term loans	496 380	637 287	634 193	-0,5%
b) Medium-term loans	411 703	427 806	393 831	-7,9%
c) Long-term loans	137 460	263 089	301 505	14,6%
d) Leasing operations.	73	55	20	-62,8%
e) Overdue loans	37 245	42 886	118 310	175,9%
<i>. Capitalized loans</i>	<i>7 751</i>	<i>7 885</i>	<i>83 546</i>	<i>959,5%</i>
<i>. Overdue loans by 6 months maximum</i>	<i>19 972</i>	<i>24 965</i>	<i>22 673</i>	<i>-9,2%</i>
<i>. Overdue loans by 6-12 months maximum</i>	<i>6 800</i>	<i>6 861</i>	<i>8 454</i>	<i>23,2%</i>
<i>. Overdue loans by 12-24 months maximum</i>	<i>2 722</i>	<i>3 175</i>	<i>3 637</i>	<i>14,5%</i>
<i>(provisions)</i>	<i>15 277</i>	<i>10 975</i>	<i>16 367</i>	<i>49,1%</i>
2. OTHER USES (a+b+c+d)	232 405	308 044	325 215	5,6%
a) Investment securities	4 940	6 490	8 835	36,1%
b) Fixed financial assets	30 951	41 647	39 777	-4,5%
c) Other fixed assets	101 232	116 969	124 447	6,4%
d) Miscellaneous	95 282	142 938	152 155	6,4%
RESOURCES (1 +2 +3)	1 366 033	1 778 517	1 933 460	8,7%
1. DEPOSITS AND BORROWINGS (a+b)	897 136	1 117 782	1 206 753	8,0%
a) Demand deposits	513 905	623 420	667 952	7,1%
b) Term deposits	383 231	494 362	538 801	9,0%
Term deposits and savings bonds	159 344	208 376	203 501	-2,3%
Special savings accounts	86 048	121 766	140 381	15,3%
Other	137 839	164 220	194 919	18,7%
2. NET EQUITY CAPITAL (a+b)	362 332	529 966	586 931	10,7%
a) Capital, grants, reserves, balances carried forward, etc.	216 655	285 004	327 842	15,0%
<i>incl. 15% of the result (where positive)</i>	<i>3 508</i>	<i>5 662</i>	<i>4 858</i>	<i>-14,2%</i>
b) Other	145 678	244 961	259 089	5,8%
3. OTHER RESOURCES	106 565	130 770	139 776	6,9%
CASH: RESOURCES-USES	50 767	99 350	160 386	61,4%
RESULTS				
FINANCIAL INCOME	252 333	311 143	310 213	-0,3%
FINANCIAL EXPENSES	51 148	55 318	52 858	-4,4%
1. NET FINANCIAL INCOME	201 185	255 825	257 356	0,6%
NET ANCILLARY REVENUES	20 849	18 081	15 927	-11,9%
2. TOTAL OPERATING INCOME	222 033	273 906	273 283	-0,2%
OVERHEAD COSTS	157 101	195 748	197 006	0,6%
NET DEPRECIATION & PROVISIONS ON FIXED ASSETS	12 043	14 250	14 170	-0,6%
3. GROSS OPERATING INCOME	52 890	63 908	62 107	-2,8%
NET RISK PROVISIONS	52 400	37 796	49 269	30,4%
4. OPERATING INCOME	490	26 112	12 838	-50,8%
NET EXTRAORDINARY INCOME	8 369	7 781	8 053	3,5%
RESULTS FROM PREVIOUS YEARS	3 606	-328	-205	-37,6%
TAX ON PROFITS	3 573	3 218	1 878	-41,7%
5. NET RESULT	8 892	30 346	18 808	-38,0%

(*) Preliminary figures

Source: General Secretariat of the WAMU Banking Commission

FINANCIAL INDICATORS	31/12/2018	31/12/2019	31/12/2020 (*)	CHANGE 2020-2019
GROSS PORTFOLIO DETERIORATION RATE <i>Gross overdue receivables / Total gross loans</i>	4,7%	3,9%	9,2%	5,3
NET PORTFOLIO DETERIORATION RATE <i>Net overdue receivables / Total net loans</i>	3,4%	3,1%	8,2%	5,1
RATIO OF PROVISIONING OF OVERDUE LOANS <i>Provisions set up / Gross overdue receivables</i>	29,4%	20,4%	12,2%	-8,2
RATIO OF OPERATING EXPENSES TO LOAN PORTFOLIO <i>Operating expenses / Gross outstanding loans</i>	29,1%	28,5%	27,7%	-0,8
RATIO OF OVERHEAD COSTS TO THE LOAN PORTFOLIO <i>Overhead costs / Gross outstanding loans</i>	14,7%	14,4%	13,6%	-0,8
RATIO OF PERSONNEL EXPENSES <i>Personnel expenses / Gross outstanding loans</i>	7,1%	7,1%	6,9%	-0,2
RETURN ON EQUITY <i>Operating income excluding subsidies / Equity</i>	0,2%	4,8%	2,2%	-2,6
RETURN ON ASSETS <i>Operating income excluding subsidies / Total assets</i>	0,0%	1,1%	0,5%	-0,6
OPERATIONAL SELF-SUFFICIENCY <i>Operating revenue / Operating expenses</i>	89,7%	86,8%	83,3%	-3,5
PROFIT MARGIN <i>Operating income / Operating revenue</i>	0,3%	7,7%	3,8%	-3,9
COST-TO-INCOME RATIO <i>Overhead costs / NFI</i>	78,0%	76,5%	76,6%	0,1
RATE OF RETURN ON ASSETS <i>Interest and fees earned / Productive assets</i>	15,4%	15,5%	14,7%	-0,8
ASSET LIQUIDITY RATIO <i>(Cash and ordinary current accounts + short-term securities) / Total assets</i>	30,1%	28,0%	29,6%	1,6
CAPITALIZATION RATIO <i>Net equity capital / Total assets</i>	19,3%	22,6%	22,9%	0,3

(*) Preliminary figures

3.3 ELECTRONIC MONEY SECTOR

The electronic money business continued to grow in the Union, in conjunction with the attractiveness of mobile-telephone based financial services.

As at December 31, 2020, forty-two (42) new financial services based on mobile telephones were deployed in the Union compared to thirty-eight (38) at year-end 2019. These services were provided through the following arrangements:

- twenty-nine (29) partnerships between banks, telecommunications operators and technical service providers;
- twelve (12) electronic money institutions (EMIs); and
- one (1) microfinance institution (MFI).

Table 30: Deployments of mobile telephone-based financial services as at December 31, 2020

Countries	Partnerships between banks and telecommunications operators	Electronic money institutions (EMIs)	Decentralized financial systems (MFIs)	TOTAL
Benin	4	1	0	5
Burkina Faso	3	1	-	4
Côte d'Ivoire	5	7	1	13
Guinea-Bissau	2	-	-	2
Mali	2	1	-	3
Niger	3	-	-	3
Senegal	5	2	-	7
Togo	5	-	-	5
Total	29	12	1	42

Source: General Secretariat of the WAMU Banking Commission

Under the terms of its remit, the Banking Commission supervises EMIs. It thereby contributes to the preservation of the stability of the financial system, the protection of customer funds and the promotion of financial inclusion.

3.3.1. Landscape of licensed electronic money institutions

There were twelve (12) licensed electronic money institutions in the Union as at December 31, 2020, compared to ten (10) one year prior. They were located in five (5) countries.

3.3.2. Activities of licensed electronic money institutions

The preliminary statistical data analyzed covered nine (9) of the twelve (12) licensed EMIs, i.e. 83.3% of the population. This was because three (3) licensed EMIs in Côte d'Ivoire had not yet started business by the end of 2020.

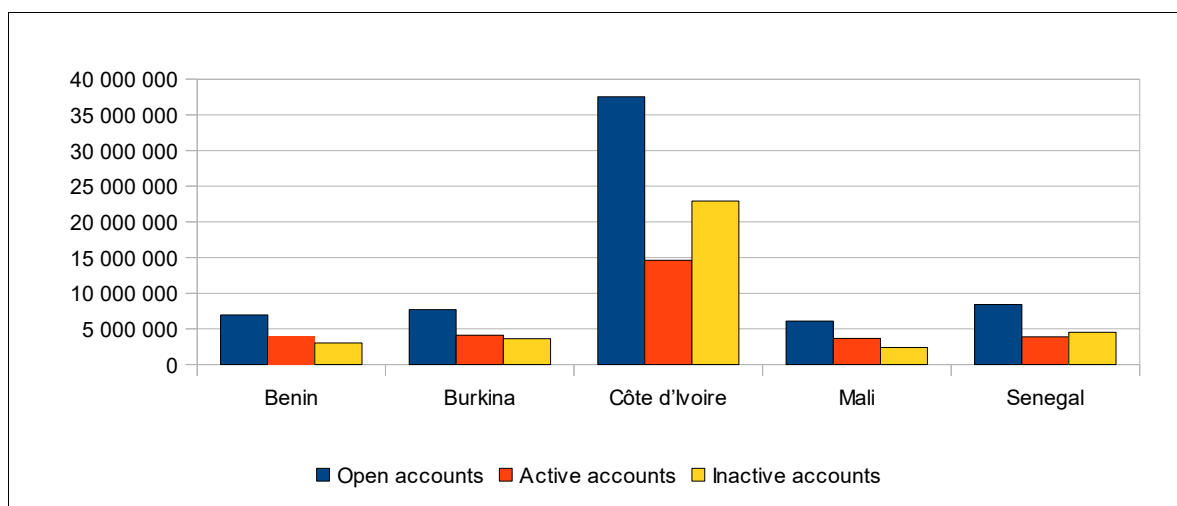
Based on the preliminary data collected as at December 31, 2020, the outstanding electronic money issued by these entities stood at 556.6 billion compared to 409.7 billion in 2019, an increase of 35.9%. It was fully covered by the funds held by the EMIs in accounts in the Union's credit institutions.

3.3.2.1. Volume indicators

The number of open e-money accounts stood at 66,711,457 in 2020 compared to 51,009,424 at the end of 2019, an increase of 30.8%. The proportion of active accounts²⁴ fell to 45.3% from 47.6% the previous year.

²⁴ Active accounts are accounts that have carried out at least one transaction in the last 90 days.

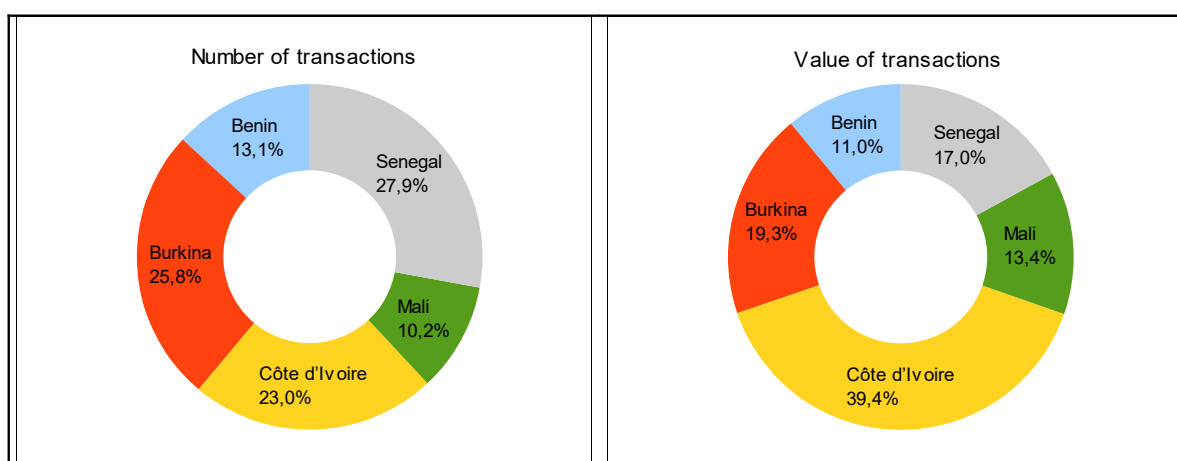
Graph 27: Number of accounts opened by EMIs



Source: General Secretariat of the WAMU Banking Commission

Cumulative mobile telephone-based transactions through EMIs increased by 37.1% during the period under review, reaching 34,914.8 billion at the end of 2020 compared to 25,470.8 billion a year earlier. The number of transactions recorded an annual increase of 33.6%, reaching 3,628,009,604 transactions during the period under review.

Graph 28: Transactions carried out by EMIs as at December 31, 2020



Source: General Secretariat of the WAMU Banking Commission

3.3.2.2. Distribution indicators

The EMI distribution network consisted of 548,306 points of service as of December 31, 2020, up 25.3% annually. It was made up of ATMs, sub-distributors and distribution agents. Active points of service represented 65.6% of the total, compared with 63.0% a year earlier.

Tableau 31: EMI distribution network

Networks	2019	2020 (*)
ATMs (a)	76	76
Sub-distributors (c)	395,801	284,120
Distribution agents (d)	43,708	264,110
Points of service (a+b+c+d)	439,585	548,306
Active service points (at least one transaction over the past 90 days)	276,840	361,191

Source: General Secretariat of the WAMU Banking Commission

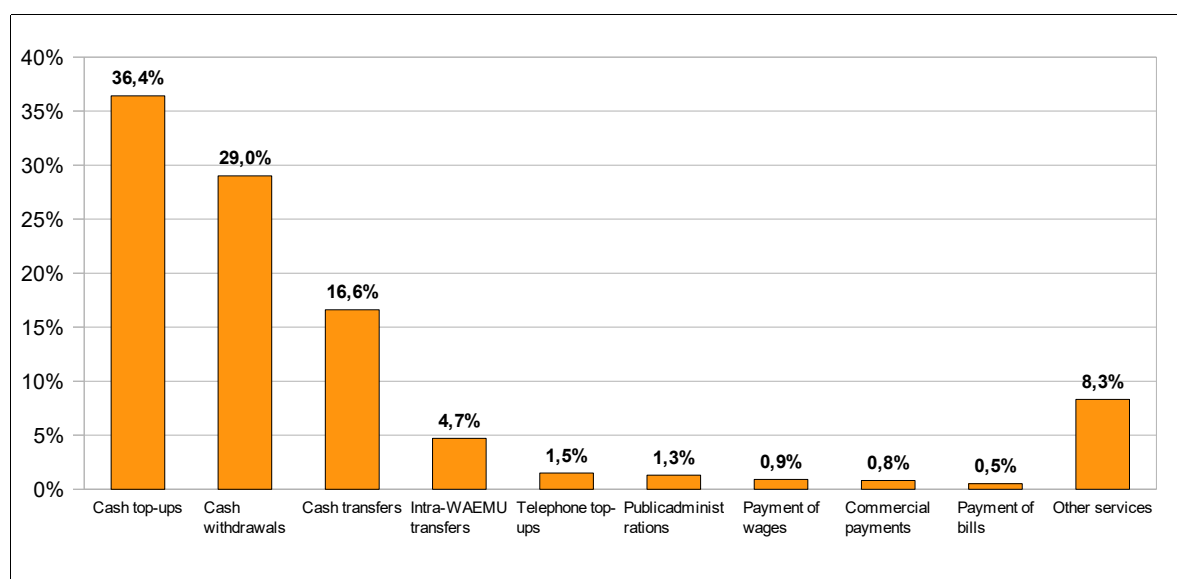
3.3.2.3. Mobile telephone-based financial service indicators

E-wallet top-ups²⁵, cash withdrawals, person-to-person transfers and telephone top-ups continued to dominate. In terms of volume and value, these represented 89.6% and 82.7% of total transactions in 2020, compared with 84.7% and 92.5% the previous year.

The number of cross-border transfers between the countries of the Union increased by 26.0% in 2020 to total 28,597,262. The value of the transactions increased by 41.3%, from 1,150.7 billion in 2019 to 1,625.5 billion at the end of 2020. During the period under review, payments made from electronic wallets included, in descending order, the following types of transactions:

- cash top-ups (12,714.0 billion; 36.4%);
- cash withdrawals (10,138.1 billion; 29.0%);
- cash transfers (5,794.8 billion; 16.6%);
- intra-WAEMU transfers (1,625.5 billion; 4.7%);
- telephone top-ups (522.3 billion; 1.5%);
- transactions with public administrations (450.0 billion; 1.3%);
- payment of wages (303 billion; 0.9%);
- commercial payments (275.3 billion; 0.8%);
- bill payments (190.6 billion; 0.5%); and
- other services²⁶ (2,901.0 billion; 8.3%).

Graph 29: Mobile telephone-based financial service indicators



Source: General Secretariat of the WAMU Banking Commission

²⁵ Deposits of money into electronic wallets.

²⁶ Transfers of funds from personal bank accounts to e-wallets, receipt of funds from personal bank accounts, transactions with microfinance institutions, teller transfers, Internet packages, etc.

Box No. 5: Potential contributions of SupTech to banking supervision in the Union

Financial technology has experienced increasingly rapid growth in recent years, both globally and in the subregion. Firms in this sector are gradually moving from an unregulated environment to active regulation and supervision by the Authorities, with a view to reassuring potential investors and customers.

In response, regulatory and supervisory authorities around the world have been working to find the appropriate response to the rise of FinTech, with the aim of protecting customers while encouraging innovation.

Thus, Supervisory Technology (SupTech) and Regulatory Technology (RegTech) have gradually emerged. These terms refer to the application of financial technology (FinTech) to supervisory and regulatory activities respectively.

SupTech can be defined as the use of technology by a supervisor to improve the efficiency of his or her operations. It is sometimes appropriately referred to as “the supervisor’s FinTech”, given its emergence as a necessary response to the development of so-called “commercial” or mainstream FinTech. The notion involves concepts such as:

- big data: processing of the large volumes of data generated by digital uses);
- data mining: analysis of such data to identify significant trends; and
- artificial intelligence: simulation of human deductive reasoning through technology.

SupTech offers a wide range of possibilities, including real-time supervision. Its use thus far falls under two main areas: data collection and data analysis. From these two steps, a multitude of different uses can emerge, such as:

- *Automated regulatory reporting*, which means using IT processes to facilitate or fully implement the capture, validation, consolidation, visualization and storage of data required for banking supervision;
- *real-time supervision*, where the interconnection of supervisors' and regulated entities' information systems allows the collection and analysis of regulatory data without periodicity constraints, in order to identify potential risk areas and optimize on-site audits;
- *monitoring of suspicious transactions* (fragmentation, geographic location, characteristics, beneficiaries, etc.) in the context of the fight against money laundering and terrorist financing; and
- *prevention of bank failures*, based on the anticipatory capacity thus offered to the banking supervisor.

At the level of the WAMU Union, the General Secretariat of the Banking Commission recently carried out work in the area of computerization of audit tools with a view to strengthening and improving the responsiveness of supervisory actions. Trends in the information systems of regulated institutions were also monitored with a view to better defining the parameters of a future move towards SupTech.

IV. SUPERVISION OF REGULATED INSTITUTIONS

4.1. MONITORING OF THE PRUDENTIAL FRAMEWORK

4.1.1. Prudential situation of credit institutions

According to the preliminary data received from credit institutions for the fiscal year ending December 31, 2020, the prudential situation of the Union's banking system presented below covered one hundred and twenty-six (126) regulated institutions, i.e., one hundred and ten (110) banks and sixteen (16) bank-like financial institutions, not counting branches.

In connection with measures aimed at limiting the impact of the coronavirus pandemic (COVID-19) on the banking system, the provisions of Title X (Transitional provisions) of the prudential framework applicable to credit institutions and financial companies in the Union, annexed to Decision No. 013/24/06/2016 of June 24, 2016, were amended by Decision No. 26/06/2020/CM/UMOA of June 26, 2020. As a result, the initial timetable for the implementation of the said provisions was extended by one (1) year, and the prudential standards applicable to regulated institutions for the year 2019 were maintained for the year 2020.

4.1.1.1. Capital standards

◆ Minimum ratio (CET1)²⁷

This ratio measures the proportion of Core Equity Tier 1 capital to risk-weighted assets. The regulatory minimum was set at 6.25% for 2020. Core Equity Tier 1 capital is the highest quality capital and is sufficiently stable to absorb losses and ensure business continuity for the institution.

One hundred and thirteen (113) credit institutions, or 89.7%, met this standard in 2020. These regulated institutions accounted for 89.9% of the assets and 93.8% of the risk-weighted assets of the banking system, as against one hundred and four (104) credit institutions with 86.8% and 92.0% in 2019.

◆ Representation of minimum share capital by Tier 1 capital

This provision requires credit institutions in WAMU to hold, at all times, Tier 1 capital at least equal to the minimum share capital of ten (10) billion for banks and three (3) billion for bank-like financial institutions, as determined by the WAMU Council of Ministers, or to the amount set out in the licensing decision.

One hundred and four (104) credit institutions met these requirements, i.e. 82.5% of the regulated entities concerned, compared with 84.6% as at December 31, 2019. They totaled 90.6% of the assets and 95.3% of the risk-weighted assets of the banking system, compared to one hundred and twenty (120) credit institutions with 94.8% and 99.3% in 2019.

◆ Minimum ratio (T1)²⁸

This standard, measured using the ratio of core equity tier one (CET1) plus additional tier one capital or other T1 items to risk-weighted assets, was set at 7.25% for 2020.

The ratio was complied with by one hundred and nine (109) credit institutions, i.e. 86.5% of the regulated entities concerned, which accounted for 89.1% of the assets and 93.1% of the risk-weighted assets of the banking system, as against one hundred and one (101) credit institutions with 85.5% and 89.4% in 2019.

◆ Total solvency ratio

Measured based on the ratio of actual equity²⁹ to risk-weighted assets, this indicator was set at 9.5% for 2020.

As of December 31, 2020, actual equity capital and risk-weighted assets were 3,284.0 billion and 26,473.5 billion, respectively, compared to 2,873.4 billion and 24,865.1 billion in 2019.

²⁷ CET1: Core Equity Tier one.

²⁸ T1: Tier One.

²⁹ The equity used to calculate the total solvency ratio is the actual equity capital (AE) obtained by adding core equity tier 1 equity capital and supplementary tier 2 equity capital.

Table 32: Credit institutions broken down according to the minimum solvency ratio

Range	Number of credit institutions	Share of total assets	Share of risk-weighted assets
≥ 9.5%	107	87.8%	91,2%
<i>incl. ≥ 11.5%</i> ³⁰	94	66.2%	65,1%
< 9.5%	19	12.2%	8.8%
TOTAL	126	100%	100%

Source: General Secretariat of the WAMU Banking Commission

In the Union as a whole, one hundred and seven (107) credit institutions met the solvency standard at the end of December 2020. These regulated institutions accounted for 87.8% of the banking assets and 91.2% of risk-weighted assets, as against one hundred and one (101) credit institutions with 82.2% and 89.8% in 2019.

At the end of December 2020, the total solvency ratio was 12.4% in the Union, above the minimum regulatory requirement of 9.5% for 2020 and 11.5% at the end of the transition period for the application of the prudential framework.

By country, the ratio was as follows:

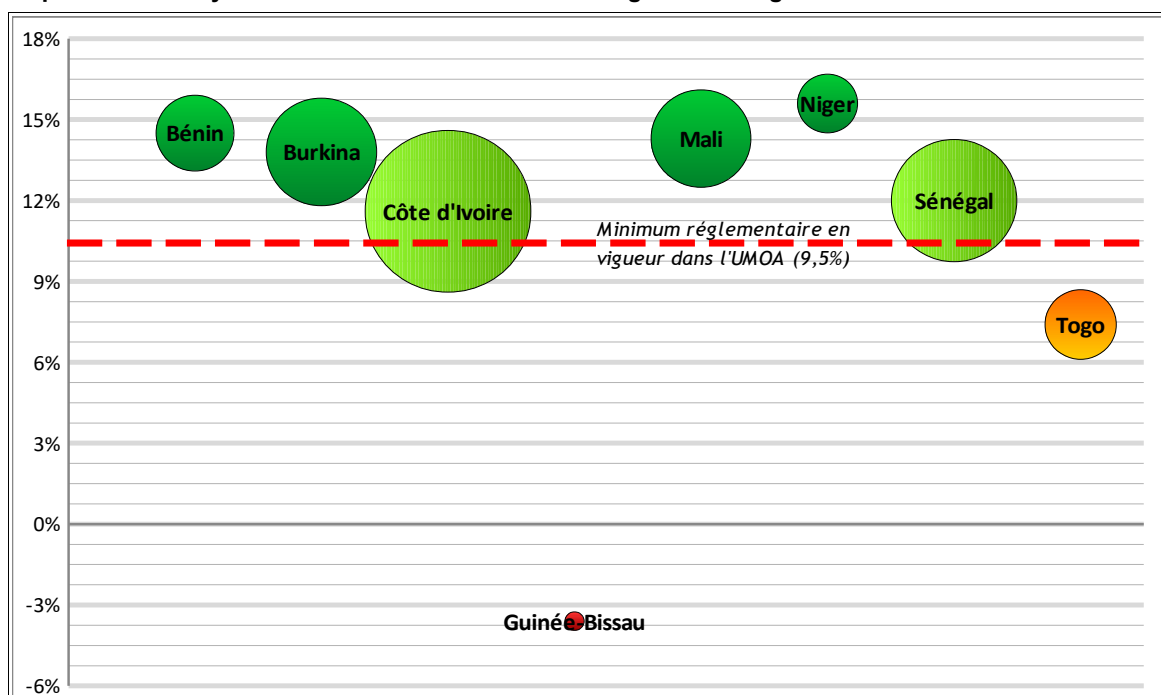
Table 33: Minimum solvency ratio of credit institutions by country

Benin	Burkina	Côte d'Ivoire	Guinea-Bissau (*)	Mali	Niger	Senegal	Togo	WAMU
14.5%	13.8%	11.6%	-3.6%	14.3%	15.6%	12.0%	7.4%	12.4%

(*) The level of the ratio in Guinea-Bissau was linked to the prudential situation of an institution with negative equity that had a significant weight in the national banking sector.

Source: General Secretariat of the WAMU Banking Commission

Graph 30: Solvency ratio of credit institutions according to risk-weighted assets



The size of the circles reflects the volume of risk-weighted assets.

Source: General Secretariat of the WAMU Banking Commission

³⁰ Target ratio in terms of the transition period for the application of the prudential framework in 2023.

◆ Risk division standard (%)

The risk division standard, measured by the total risk-weighted assets on a client or a group of related clients in relation to tier one capital (T1), was maintained at a maximum of 55% for 2020. The standard measures customer concentration risk or “large exposures”.³¹

As at December 31, 2020, eighty-six (86) credit institutions, representing 68.3% of the regulated institutions, concentrating 68.8% of assets and 71.3% of risk-weighted assets, complied with the standard of division of risks against ninety-three (93) credit institutions representing 78.2% and 80.5% in 2019.

By country, the standard of division of risks was as follows:

Table 34: Risk division standard by country

Benin	Burkina	Côte d'Ivoire	Guinea-Bissau (*)	Mali	Niger	Senegal	Togo	WAMU
63.8%	50.9%	46.3%	-506.4%	61.9%	67.8%	67.1%	177.9%	60.5%

(*) The level of the ratio in Guinea-Bissau was linked to the prudential situation of an institution with negative equity that had a significant weight in the national banking sector.

Source: General Secretariat of the WAMU Banking Commission

The risk-division ratio in the Union averaged 60.5% as at December 31, 2020.

◆ Leverage ratio

The purpose of the leverage ratio is to regulate the growth of an institution's balance sheet in relation to its equity capital and to the accumulation of leverage in the banking sector. It is measured by tier one equity capital (T1) in relation to total exposure (balance sheet and off-balance sheet). The minimum standard is 3%.

As at December 31, 2020, total exposure was estimated at 47,458.7 billion. This translates into a leverage ratio of 6.4%. One hundred and eight (108) credit institutions, holding 88.5% of assets and 92.7% of risk-weighted assets, met the leverage standard in 2020, compared to one hundred and one (101) credit institutions with 84.6% and 88.6% in 2019.

By country, the leverage ratio was as follows:

Table 35: Leverage ratio by country

Benin	Burkina	Côte d'Ivoire	Guinea-Bissau (*)	Mali	Niger	Senegal	Togo	WAMU
5.7%	7.4%	6.1%	-2.1%	7.5%	10.5%	6.7%	2.3%	6.4%

(*) The level of the ratio in Guinea-Bissau was linked to the prudential situation of an institution with negative equity that had a significant weight in the national banking sector.

Source: General Secretariat of the WAMU Banking Commission

4.1.1.2. Other prudential standards

◆ Individual and aggregate restrictions on interests in commercial entities

As of December 31, 2020, one hundred and three (103) credit institutions were in compliance with the standard limiting individual holdings in commercial entities to 25% of the capital of these companies. They accounted for 82.5% of assets and 86.1% of risk-weighted assets compared to one hundred and nine (109) credit institutions with 78.0% and 80.7% in 2019.

On the other hand, one hundred and fourteen (114) credit institutions were in compliance with the standard limiting individual holdings in commercial entities to 15% of the institution's tier one core capital (T1). They accounted for 94.2% of assets and 96.7% of risk-weighted assets compared to all one hundred and twenty-three (123) credit institutions in 2019.

³¹ The notion of “large exposure” represents a customer or a group of related customers whose sum of assets weighted according to credit risk reaches at least 10% of an institution's T1 core equity capital.

Furthermore, one hundred and twenty-four (124) credit institutions were in compliance with the standard limiting overall holdings in commercial entities to 60% of the institution's actual equity capital. They accounted for 95.5% of assets and 100% of risk-weighted assets compared to all one hundred and twenty-three (123) credit institutions in 2019.

◆ **Ceiling on non-operating assets**

At the end of 2020, ninety-nine (99) credit institutions, whose activities represented 82.3% of assets and 83.8% of risk-weighted assets, were in compliance with the standard limiting non-operating fixed assets to a maximum of 15% of tier one capital (T1), compared with one hundred and five (105) credit institutions with 81.4% and 83.9% in 2019.

◆ **Ceiling on total non-operating assets and equity investments**

As at December 31, 2020, one hundred and eleven (111) regulated institutions, whose activities represented 89.4% of assets and 93.4% of risk-weighted assets, were in compliance with the standard limiting total non-operating fixed assets and equity investments to 100% of tier one capital (T1), compared with one hundred and eighteen (118) credit institutions with 93.4% and 97.5% in 2019.

◆ **Ceiling on loans to major shareholders, corporate officers, staff and statutory auditors**

One hundred and nine (109) credit institutions, holding 85.9% of assets and 88.6% of risk-weighted assets, were in compliance with the standard limiting the aggregate amount of loans to major shareholders, corporate officers, staff and statutory auditors to 20% of actual equity capital, compared with one hundred and fifteen (115) credit institutions with 89.0% and 91.9% in 2019.

◆ **Coverage of medium- and long-term uses with stable resources**

This standard, which requires that at least 50% of fixed assets be covered by stable resources, aims to prevent excessive transformation of banks' short-term resources into medium- or long-term assets. It contributes to ensuring the balance of the financial structure of credit institutions.

At the end of the period under review, one hundred and five (105) institutions, representing 85.2% of assets and 88.6% of risk-weighted assets, were in compliance with this requirement, against one hundred and three (103) credit institutions with 84.8% and 87.0% in 2019.

◆ **Liquidity ratio**

Designed to prevent short-term liquidity risks in the banking system, this standard requires credit institutions to have sufficient liquid assets or assets with a residual maturity not exceeding three (3) months to cover at least 75% of their liabilities of the same maturity.

As at December 31, 2020, one hundred and eight (108) credit institutions, accounting for 85.9% of assets and 90.5% of risk-weighted assets, met this requirement, compared with one hundred and twelve (112) credit institutions with 90.6% and 94.9% in 2019. With regard to bank-like financial institutions, this ratio applies only to those that take in funds from the public.

Table 36: Liquidity ratio by country

Benin	Burkina	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU
111.6%	117.7%	104.7%	95.0%	96.3%	101.0%	96.4%	116.3%	105.8%

Source: General Secretariat of the WAMU Banking Commission

It should be noted that the prudential framework, which came into force in January 2018, provides for a short-term liquidity ratio (STLR) and a long-term liquidity ratio (LTLR).

These ratios will be implemented progressively on the basis of the transitional arrangements established by the Regulating Authority.

4.1.1.3. Summary of the prudential situation of credit institutions

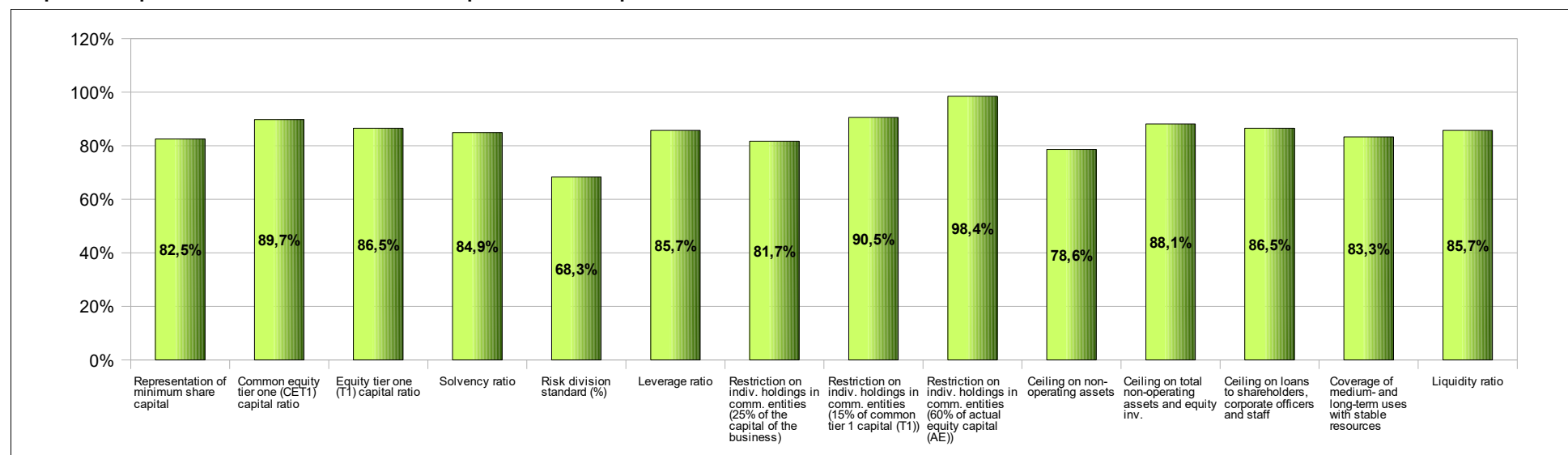
The table and graph below present a holistic overview of compliance with the prudential framework by credit institutions in operation in the Union as at the end of December 2020.

Table 37: Number of credit institutions in compliance with the prudential framework

	Solvency standards				Risk division standard (%)	Leverage ratio	Other prudential standards							
	Representation of minimum share capital by tier 1 equity capital	Core equity tier one capital ratio (CET1)	Equity tier one capital ratio (T1)	Total solvency ratio	Risk division standard (%)	Leverage ratio	Restriction on individual holdings in commercial entities (25% of the capital of the business)	Restriction on individual holdings in commercial entities (15% of core tier one capital (T1))	Restriction on aggregate holdings in commercial entities (60% of actual equity capital)	Ceiling on non-operating assets	Ceiling on total non-operating assets and equity investments	Ceiling on loans to shareholders, corporate officers and staff	Coverage of medium- and long-term uses with stable resources	Liquidity ratio
Benin (13)	10	13	12	12	11	11	12	12	13	11	11	12	12	13
Burkina (16)	15	16	16	14	13	16	11	16	16	15	16	16	16	15
Côte d'Ivoire	23	23	23	23	18	23	25	25	27	23	25	23	23	23
Guinea-Bissau (3)	1	2	2	2	2	2	2	2	3	1	2	2	2	3
Mali (15)	14	15	15	15	8	14	15	15	15	12	14	15	12	12
Niger (13)	10	11	11	10	8	10	10	12	12	7	12	11	9	8
Senegal (25)	21	22	21	22	18	21	18	21	24	19	21	19	21	21
Togo (14)	10	11	9	9	8	11	10	11	14	11	10	11	10	13
WAMU (126)	104	113	109	107	86	108	103	114	124	99	111	109	105	108
Proportion (%)	82.5%	89.7%	86.5%	84.9%	68.3%	85.7%	81.7%	90.5%	98.4%	78.6%	88.1%	86.5%	83.3%	85.7%

Source: General Secretariat of the WAMU Banking Commission

Graph 31: Proportion of credit institutions in compliance with the prudential framework



Source: General Secretariat of the WAMU Banking Commission

Box No. 6: Measures to limit the impact of the COVID-19 pandemic on the banking sector

Following the outbreak of the COVID-19 pandemic, the Monetary and Supervisory Authorities of the Union introduced a series of measures aimed at reducing the impact of the crisis on the banking and financial system. These measures applied to liquidity support, regulation and supervision.

The actions taken by the BCEAO to support bank liquidity included:

- increasing the resources made available to the banks, to enable them to maintain and increase financing of the economy;
- a 50 basis point reduction in key rates, lowering the minimum bid rate for liquidity injection operations from 2.50% to 2.00% and the marginal lending rate from 4.50% to 4.00%;
- broadening the scope of mechanisms used by banks to access Central Bank refinancing;
- raising awareness among banks of the use of resources available through the special refinancing window for credits granted to small and medium-sized enterprises (SMEs/SMLs). This window, which has no ceiling, was created under the mechanism set up by the BCEAO in agreement with the banks and the States to promote the financing of SMEs/SMLs in the Union;
- supplying banks with banknotes in sufficient quantity and quality to enable them to ensure the proper functioning of their automated teller machines (ATMs); and
- supporting WAMU Member States in the issuance of Treasury bills known as “COVID-19 Bonds” and stimulus bonds.

With regard to regulatory measures, the following instruments were issued:

- a decision by the WAMU Council of Ministers to modify the prudential framework applicable to credit institutions and financial companies in the Union, in particular by extending the transition period by one year, from 2022 to 2023, and continuing the application of the prudential standards set for 2019 in 2020;
- the establishment by the Central Bank, in conjunction with the banking system, of an appropriate framework to support companies suffering from the consequences of the pandemic and encountering difficulties in repaying the loans they were granted;
- the revision, by the BCEAO, of the modalities for the implementation of the classification agreements for non-financial companies;
- admissibility of private claims on B-rated companies for BCEAO refinancing;
- authorization for credit institutions and DFSs to grant deferrals to their customers adversely affected by the health crisis who so request; and
- the Central Bank’s introduction of measures to promote electronic payments in the context of the fight against the spread of COVID-19.

Finally, in the area of supervision, the following main actions can be highlighted:

- the introduction of specific reporting statements that can be used to monitor maturity deferrals;
- the suspension, from March to September 2020, of the execution of the on-site audit program and the reinforcement, during this period, of documentary supervision and remote audits of regulated institutions;
- the reinforcement of documentary supervision, including the organization of several bilateral meetings with credit institutions;
- the implementation of a remote monitoring system for credit institutions;
- the extension of the transition period for the application of the 1% buffer to regional SIFIs, with an entry into force running from 2021 to 2023 instead of 2020-2022; and
- the issuance of a circular letter to institutions subject to the supervision of the Banking Commission, recommending restricted distribution of profits in the form of dividends for the fiscal year 2020.

4.1.2. Prudential situation of financial companies

Based on the preliminary prudential data received from fourteen (14) financial companies out of the total of seventeen (17) at the end of 2020, the prudential situation on a consolidated basis was as follows:

4.1.2.1. Capital standards

◆ Core equity tier one (CET1) ratio

All of the financial companies were in compliance with this ratio.

◆ Equity tier one (T1) capital ratio

This standard was met by thirteen (13) financial companies out of the fourteen (14) operating companies. They totaled 95.8% of assets and 93.9% of risk-weighted assets.

◆ Total solvency ratio

As at December 31, 2020, the actual equity capital and risk-weighted assets of financial companies stood at 2,016.5 billion and 16,769.8 billion, respectively.

Table 38: Breakdown of financial companies based on the solvency ratio

Range	Number of financial companies	Share of total assets	Share of risk-weighted assets
≥ 9.5%	13	95.8%	93.9%
<i>incl. ≥ 11.5%</i>	9	66.8%	69.1%
< 9.5%	1	4.2%	6.1%
TOTAL	14	100%	100%

Source: General Secretariat of the WAMU Banking Commission

Thirteen (13) financial companies were in compliance with the main solvency ratio. These regulated institutions totaled 95.8% of assets and 93.9% of risk-weighted assets.

At the same date, the total solvency ratio in the Union was 12.0%, compared with 13.1% in 2019.

The solvency ratio of regional SIFIs stood at 12.7% in 2020, i.e. above the 12.5% standard that will apply at the end of the transition period for the application of the systemic buffer for these entities (11.5% plus a 1% surcharge).

◆ Risk division standard (%)

The risk division standard, which measures the concentration of major risks, was met by eight (8) financial companies out of fourteen (14), representing 88.6% and 87.8% of risk-weighted assets.

The risk division ratio stood at 32.6% as at December 31, 2019, as against 32.0% the previous year, compared with a regulatory ceiling of 55% for 2019. The ratio for regional SIFIs was 52.0%.

◆ Leverage ratio

The leverage ratio, measured through the ratio of tier one equity (T1) to total exposure (on balance sheet and off balance sheet), with a minimum standard of 3%, was met by eleven (11) financial companies, representing 94.8% of assets and 95.5% of risk-weighted assets.

The total exposure of financial companies was estimated at 29,261.7 billion, resulting in a leverage ratio of 5.7%.

The total exposure of regional SIFIs was estimated at 7,515.2 billion, resulting in a leverage ratio of 6.0%.

4.1.2.2. Other prudential standards

◆ Individual and aggregate restrictions on interests in commercial entities

As at December 31, 2020, thirteen (13) financial companies, representing 96.8% of assets and 96.8% of risk-weighted assets, were in compliance with the standard limiting individual holdings in commercial entities to 25% of the capital of these companies.

All financial companies were in compliance with the standard limiting individual holdings in commercial entities to 15% of the tier 1 capital (T1) of the institution as well as with the standard that limits aggregate holdings in commercial entities to 60% of the institution's actual equity capital.

◆ Ceiling on non-operating assets

At the end of 2020, twelve (12) financial companies, whose activities represented 94.3% of assets and 92.8% of risk-weighted assets, were in compliance with the standard limiting non-operating fixed assets to a maximum of 15% of core tier one capital.

◆ Ceiling on total non-operating assets and equity investments

As at December 31, 2020, all of the regulated institutions were in compliance with the standard limiting the total of non-operating fixed assets and equity investments to 100% of core tier one capital (T1).

◆ Ceiling on loans to major shareholders, executives, staff and statutory auditors

In 2020, twelve (12) financial companies, representing 94.8% of assets and 94.8% of risk-weighted assets, were in compliance with the standard limiting the aggregate amount of loans to major shareholders, corporate officers, staff and statutory auditors to 20% of actual equity capital.

4.1.2.3. Summary of the prudential situation of credit institutions

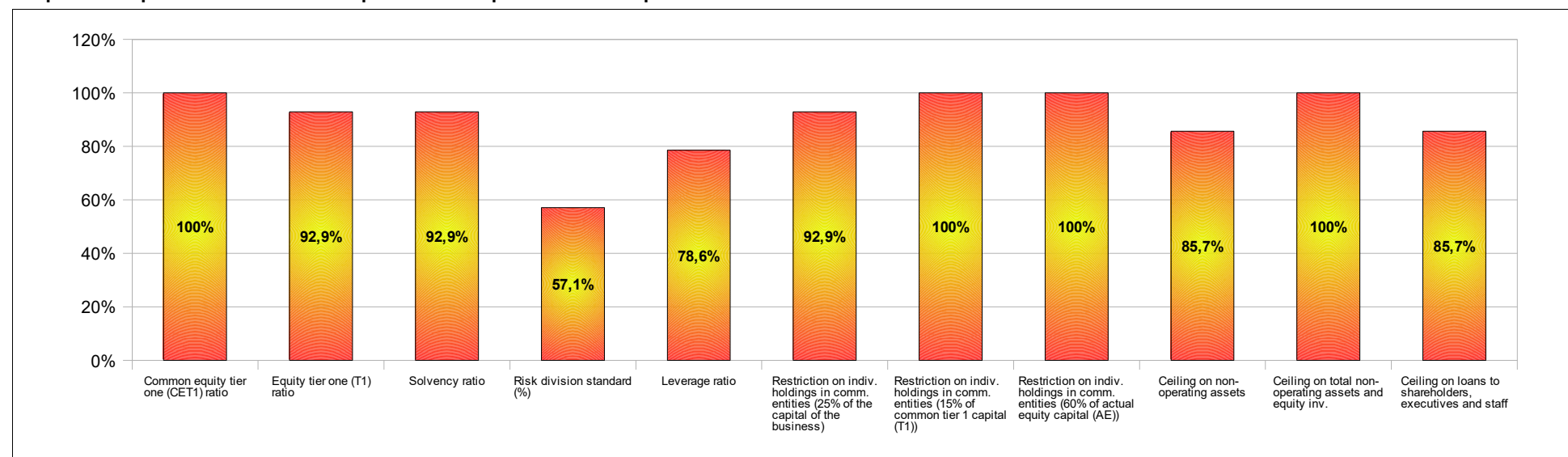
The table and graph below present a holistic overview of compliance with the prudential framework by credit institutions in operation in the Union at the end of December 2020.

Table 39: Number of financial companies in compliance with the prudential framework

	Solvency standards			Risk division standard (%)	Leverage ratio	Other prudential standards					
	Core equity tier one (CET1) ratio	Equity tier one (T1) ratio	Total solvency ratio	Risk division standard (%)	Leverage ratio	Restriction on indiv. holdings in comm. entities (25% of the capital of the business)	Restriction on individual holdings in commercial entities (15% of core tier one capital (T1))	Restriction on aggregate holdings in commercial entities (60% of actual equity capital)	Ceiling on non-operating assets	Ceiling on total non-operating assets and equity investments	Ceiling on loans to shareholders, corporate officers and staff
Benin	-	-	-	-	-	-	-	-	-	-	-
Burkina (1)	1	1	1	1	1	1	1	1	1	1	1
Côte d'Ivoire (7)	7	7	7	4	5	6	7	7	7	7	5
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	-
Mali	-	-	-	-	-	-	-	-	-	-	-
Niger	-	-	-	-	-	-	-	-	-	-	-
Senegal (3)	3	2	2	-	2	3	3	3	1	3	3
Togo (3)	3	3	3	3	3	3	3	3	3	3	3
WAMU (14)	14	13	13	8	11	13	14	14	12	14	12
Proportion (%)	100%	92.9%	92.9%	57.1%	78.6%	92.9%	100%	100%	85.7%	100%	0,0%

Source: General Secretariat of the WAMU Banking Commission

Graph 32: Proportion of financial companies in compliance with the prudential framework



Source: General Secretariat of the WAMU Banking Commission

4.1.3. Prudential situation of micro finance institutions (MFIs)

The prudential situation presented below is based on the preliminary data submitted by one hundred and eighty-two (182) MFIs subject to Article 44, out of a total of one hundred and eighty-eight (188) in operation as at December 31, 2020.

4.1.3.1. Prudential standards

◆ Capitalization standard

The capitalization standard, determined by the ratio of equity to total assets, is intended to guarantee a minimum level of solvency for the institution with respect to its commitments. The threshold was set at a minimum of 15%.

Equity stood at 389.2 billion at the end of 2020. The risks borne by Article 44 MFIs amounted to 1,770.8 billion. Thus, the capitalization standard amounted to 19.6% compared to 19.9% a year earlier, above the minimum regulatory threshold of 15%.

Table 40: Breakdown of MFIs according to the capitalization standard

Range	Number of MFIs	Share of total assets	Share of risks borne
≥ 15%	114	78.7%	78.3%
< 15%	68	21.3%	21.7%
TOTAL	182	100%	100%

Source: General Secretariat of the WAMU Banking Commission

By country, the capitalization ratio was as follows:

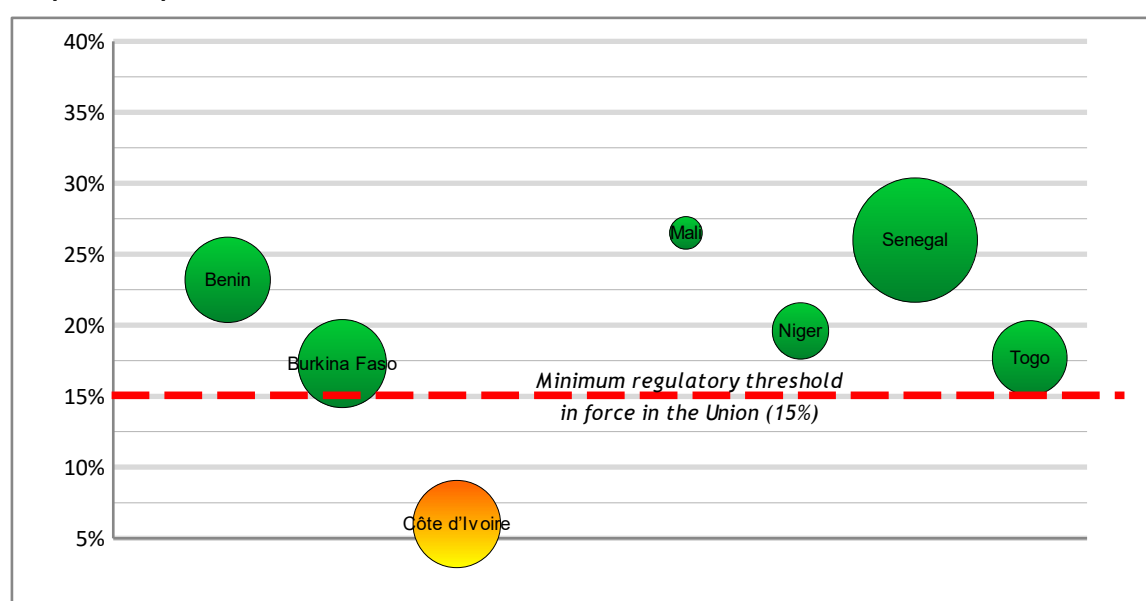
Table 41: Capitalization ratio of MFIs

Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU
23.2%	17.9%	6.0%	-	26.5%	19.6%	26.0%	17.7%	19.6%

Source: General Secretariat of the WAMU Banking Commission

In the Union as a whole, one hundred and fourteen (114) MFIs subject to Article 44 were in compliance with the standard. These regulated institutions totaled 78.7% of assets and 78.3% of risks borne.

Graph 33: Capitalization ratio of MFIs based on assets



The size of the circles reflects the volume of risks borne

Source: General Secretariat of the WAMU Banking Commission

◆ **Limitation of risks**

The risks to which an MFI is exposed may not exceed twice the amount of its internal and external resources. Thus, the standard to be respected is a maximum of 200%.

One hundred and eighty (180) DFSs subject to Article 44, representing 98.5% of assets and 99.8% of risks borne, were in compliance with the ratio as at December 31, 2020.

◆ **Coverage of medium- and long-term uses with stable resources**

MFIs must finance all of their fixed assets and other medium- and long-term uses with stable resources to prevent excessive transformation of their short-term resources into medium- or long-term assets. The minimum standard has been fixed at 100%.

The residual maturity, or time remaining before maturity, used to calculate the ratio was more than twelve (12) months.

At the end of the period under review, ninety-five (95) MFIs subject to Article 44, representing 62.1% of assets and 99.5% of risks borne, were in compliance with this ratio.

◆ **Limitation of loans to corporate officers, staff and related parties**

In order to prevent the risk of concentration of loans and commitments by signature for MFI corporate officers and staff, the proportion of resources that can be allocated for the purpose has been set, in accordance with the provisions of Article 35 of the Act regulating DFSs, by the ratio of "limitation of loans and commitments by signature to corporate officers and staff", at 10% of equity capital.

This ratio also serves to control the uses of loans granted to executives.

The number of institutions subject to Article 44 that were in compliance with the standard stood at one hundred and twenty-three (123) at the end of December 2020. They totaled 81.9% of assets and 79.8% of risks borne.

◆ **Limitation of risks taken on a single signature**

Risks taken on a single signature were limited to 10% of equity capital. These are defined as outstanding loans granted as well as financing and guarantee commitments to members, beneficiaries or customers.

A single signature shall be understood to mean any natural or legal person acting in their own name and/or on behalf of another organization over which they have, directly or indirectly, a controlling interest, including exclusive or joint control or significant influence, as defined in the specific accounting standards applicable to MFIs.

One hundred and forty-two (142) DFSs subject to Article 44, representing 86.9% of assets and 86.2% of risks borne, were in compliance with this ratio.

◆ **Liquidity ratio**

The liquidity standard measures the institution's ability to meet its current liabilities, i.e. to honor its short-term commitments (maximum 3 months) with its short-term resources in the form of realizable and available assets.

In order to determine the liquidity ratio, three (3) cases must be distinguished:

- for non-affiliated mutual or cooperative savings and loan institutions and other deposit-taking MFIs (associations, limited companies, limited liability companies), the standard to be met was set at a minimum of 100%;
- for affiliated mutual and cooperative savings and loan institutions, the standard to be met was set at a minimum of 80%; and
- for other MFIs that do not collect deposits, the standard to be met was set at a minimum of 60%.

The number of institutions subject to Article 44 that were in compliance with the standard stood at one hundred and eighteen (118) at the end of December 2020. They totaled 79.4% of assets and 79.8% of risks borne.

◆ **Limitation of operations other than savings and loan activities**

Any activity not included in the scope of savings collection and loan operations as prescribed in paragraphs 1 and 2 of Article 4 of the Act regulating MFIs is considered to be an operation other than savings and loan activities.

The standard to be met is a maximum of 5%.

One hundred and seventy-eight (178) entities, representing 97.8% of assets and 99.8% of risks borne, were in compliance with this ratio.

◆ **Limitation of equity investments**

This standard limits the holdings that MFIs may acquire in companies to 25% of their equity capital.

At the end of 2020, one hundred and seventy-one (171) entities, representing 94.2% of assets and 95.5% of risks borne, complied with this requirement.

4.1.3.2. Summary of the prudential situation of DFSs subject to Article 44

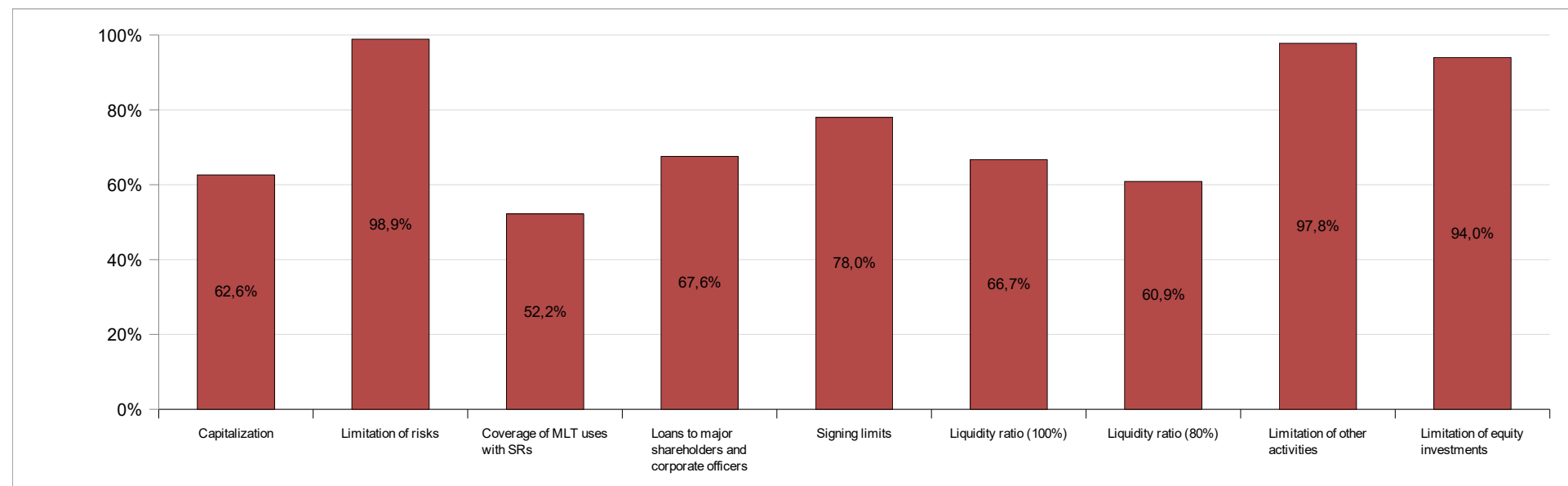
The table and graph below present a holistic overview of compliance with the prudential framework by MFIs subject to Article 44 at the end of December 2020.

Table 42: Number of MFIs subject to Article 44 in compliance with the prudential framework by country

Country (Number of DFSs)	Capitalization	Limitation of risks	Coverage of MMLT uses with stable resources	Loans to major shareholders and corporate officers	Signing limits	Liquidity ratio		Limitation of other activities	Limitation of equity investments
						≥ 100%	≥ 80%		
Benin (22)	16	21	16/08/21	21	21	5	3	20	21
Burkina Faso (36)	22	36	28	16	23	7	12	36	36
Côte d'Ivoire (24)	10	23	11	14	16	9	9	23	23
Guinea-Bissau (0)	-	-	-	-	-	-	-	-	-
Mali (17)	13	17	11	16	14	5	10	17	13
Niger (3)	1	3	2	3	3	2	0	3	2
Senegal (52)	31	52	17	32	41	3	36	51	52
Toogo (28)	21	28	10	21	24	9	8	28	24
Number of DFSs: 182	114	180	95	123	142	40	78	178	171
WAMU	62.6%	98.9%	52.2%	67.6%	78.0%	66.7%	60.9%	97.8%	94.0%

Source: General Secretariat of the WAMU Banking Commission

Graph 34: Proportion of MFIs in compliance with the prudential framework



Source: General Secretariat of the WAMU Banking Commission

4.1.4. Prudential situation of electronic money institutions

As at the end of December 2020, the overall prudential situation of the EMIs was as follows, based on the preliminary data received from nine (9) institutions out of the total of twelve (12) licensed EMIs.

4.1.4.1. Prudential standards

◆ Coverage ratio

This ratio requires each electronic money institution to have at least 3.0% of its outstanding electronic money covered by its own capital. It was respected by eight (8) of the nine (9) EMIs, which posted, at the Union level, a coverage rate of 23.7% in 2020, compared to 26.1% in 2019.

◆ Hedge ratio

The hedge ratio is the ratio of the value of financial investments associated with e-money and demand deposits to the outstanding amount of e-money. This indicator stood at 82.8%, against a minimum standard of 100%. It was 84.5% in 2019. Six (6) of the nine (9) EMIs were in compliance with this requirement.

◆ Investment ratio

This standard limits the value of financial investments involving e-money to 25% of the outstanding amount of e-money. All of the EMIs in the Union were in compliance with this ratio, which stood at 16.9%, compared to 15.0% in 2019.

4.1.4.2. Summary of the prudential situation

The table below presents an overview of compliance of active EMIs with the prudential framework as at December 31, 2020

Table 43: Prudential situation of EMIs

Countries	Number of EMIs in compliance		
	Coverage ratio ($\geq 3\%$)	Hedge ratio ($\geq 100\%$)	Investment ratio ($\geq 25\%$)
Benin (1)	1	1	1
Burkina Faso (1)	1	1	1
Côte d'Ivoire (4)	3	3	4
Guinea-Bissau (0)	-	-	-
Mali (1)	1	0	1
Niger (0)	-	-	-
Senegal (2)	2	1	2
Togo (0)	-	-	-
Total (9)	8	6	9

Source: General Secretariat of the WAMU Banking Commission

Box No. 7: Spotlight on External Credit Assessment Institutions (ECAIs)

In July 2019, the BCEAO published Instruction No. 003-07-2019 on the recognition of External Credit Assessment Institutions (ECAIs) for prudential purposes.

This instrument was issued in application of the Prudential Framework for credit institutions and financial companies in WAMU, which provides in Paragraph 175 for the publication by the BCEAO of the procedures and modalities for the recognition of ECAIs.

An ECAI, commonly known as a rating agency, is an entity whose main activity is to issue credit ratings or assessments.

According to Paragraph 111 of the Prudential Framework, under the standard approach for credit risk, the weighting applied to each exposure depends on the category in which it is classified as well as on the credit quality. This weighting is determined in particular on the basis of a fixed coefficient or a rating assigned by an ECAI.

In accordance with the Basel II Accord, the prudential framework in force in the Union assigns an important role to ECAIs in assessing the exposures of regulated institutions. This implies that a great deal of confidence must be placed in the rating agencies, given the significant financial stakes associated with published ratings, particularly in terms of equity capital requirements.

In order to strengthen this confidence, the Basel Committee has established a number of eligibility criteria, which are included in BCEAO Instruction No. 003-07-2019.

According to the provisions of Paragraph 172 of the Prudential Framework, the ECAIs approved by the Central Bank for the evaluation of exposures of reporting institutions are: Standard & Poor's (S&P), Dominion Bond Rating (DBRS), Moody's Investors Service, and Fitch Rating Services.

Apart from these agencies, an external credit assessment by an ECAI can only be used to define the risk weight applicable to an exposure if the ECAI concerned is recognized by the BCEAO. Such recognition is subject to the fulfilment of the following six criteria:

- *Objectivity and thoroughness of the rating methodology used:* The credit assessment methodology must be rigorous, systematic and subject to internal validation based on historical data. Ratings are subject to review at least once a year and must reflect any significant changes in the financial and market environment;
- *ECAI independence:* ECAIs must be independent and free from political or economic pressures that could influence their ratings. Independence is protected from any constraints that may arise from situations of conflict of interest due to the ECAI's sources of financing or the composition of its Board of Directors or its shareholders;
- *Access to information and transparency:* Credit assessments performed by ECAIs must be published through means of communication that are easily accessible to any person with a legitimate interest, and under the same conditions, except in the case of a private assessment. The general methodology used by the ECAIs must be made public;
- *Disclosure of information on the rating system:* Each ECAI must publish information on the procedures, methodologies and general assumptions it uses to assign ratings, including the definition of default, the time horizon and the meaning of each rating category. It must also disclose the default rate observed for each rating category, the matrix of migration between the different rating categories, and the fee schedule for its services;
- *Resources of the ECAIs:* ECAIs must have sufficient financial, human and logistical resources to provide good quality ratings. To this end, they must have experts in all the market segments referred to in Article 6 of Instruction No. 003-07-2019, for which they assign ratings;
- *Credibility of the ECAIs:* The ECAIs and the ratings they assign must be credible. This credibility derives, on the one hand, from compliance with all the requirements set out in the above-mentioned Instruction and, on the other hand, from the level of confidence that independent parties, in this case investors, insurers and business partners, have in the ratings provided by the ECAIs.

Recognition of an ECAI may be total or partial. In the latter case, it may be restricted to assessments of certain types of credit or to certain countries.

Recognition may also be direct or indirect. In the direct recognition process, the BCEAO assesses the ECAI's compliance with the above criteria. In the case of indirect recognition, the Central Bank accepts ratings granted by an ECAI that has been recognized for prudential purposes by a competent banking authority of a third-party country applying prudential regulations at least equivalent to those of the WAMU Union. In this case, a no-objection notice from this authority shall be requested prior to the recognition of the ECAI.

4.2. ACTIONS AND MEASURES

In the course of 2020, the Banking Commission held four (4) ordinary sessions of the Supervisory College and two (2) meetings of the Resolution College, by videoconference, on the following dates:

- **Ordinary sessions of the Supervisory College**

- March 27, 2020;
- June 23, 2020;
- September 18, 2020;
- December 9, 2020.

- **Meetings of the Resolution College**

- March 27, 2020;
- December 9, 2020.

The following changes were recorded in the members representing the States:

- the departure of Ms. Ahéba Johnson, representing Togo;
- the replacement of Mr. Baaré Marankan Badage, representing Niger, by Mr. Ibrahim Sofo Magagi;
- the end of the mandate in the Supervisory College of the representative of Benin and Benin's chairmanship of the Council of Ministers; and
- the departure of Mr. Paul Teboul, representative of France, as a result of institutional changes in the WAMU Union.

With regard to the members appointed by the Council of Ministers, the Banking Commission recorded, in respect of the College of Supervision:

- the departure of Mr. Christian Durand, representative of France, as a result of the institutional changes in the WAMU Union; and
- the replacement of Mr. João Alage Mamadù Fadia by Mr. Numna Gorky Mendes de Medina.

4.2.1. Administrative measures

Pursuant to the provisions of Article 29 of the Annex to the Convention governing it, the Banking Commission issued fifty (50) injunctions during the fiscal year 2020, compared to thirty-one (31) in 2019. They were taken out against nine (9) credit institutions and one (1) MFI, based in Benin (2), Burkina Faso (1), Côte d'Ivoire (1), Mali (1) and Senegal (5). In general terms, these injunctions focused on:

- producing a restructuring plan with a detailed timetable, designed to clean up the credit portfolio, strengthen equity to a level that would ensure compliance with all related prudential standards and guarantee the institution's profitability;
- correcting all the shortcomings identified at the outcome of the audits;
- reorganizing the deliberative body to ensure its smooth and efficient running in strict compliance with the instruments in force; and
- guaranteeing full compliance with the prudential standards in force and, in particular, the representation of the minimum share capital by tier 1 equity capital.

The Banking Commission also placed under close supervision three (3) credit institutions respectively located in Benin, Burkina Faso and Senegal. It also maintained close supervision for one (1) bank located in Côte d'Ivoire and three (3) banks in Senegal.

In addition, the Supervisory Authority lifted close supervision for credit institutions in Burkina Faso (1), Côte d'Ivoire (2), Niger (1) and Senegal (1).

4.2.2. Disciplinary sanctions

Pursuant to the provisions of Articles 31 and 32 of the Annex to the Convention governing the Banking Commission, the Supervisory Authority, after duly convening and hearing the managers of credit institutions, MFIs and EMIs based in the Union, imposed disciplinary sanctions, namely six (6) reprimands and one (1) warning, as follows:

◆ Reprimands

- reprimands were issued against four (4) credit institutions located in Benin (1), Burkina Faso (1) and Senegal (2);
- a reprimand was issued against one MFI located in Mali (1);
- a reprimand was issued against the director of an MFI located in Mali (1).

◆ Warnings

- a warning was issued against the director of an MFI located in Mali (1).

◆ Suspension or prohibition

None.

◆ Financial sanctions

During the period under review, the Banking Commission did not issue any financial sanctions over and above its disciplinary sanctions.

4.2.3. Notices to Ministers of Finance

4.2.3.1. Ordinary notices

◆ Extension of the terms of office of interim administrators

The Banking Commission issued five (5) approval notices for the extension of the terms of office of interim administrators for a bank established in Togo (2) and three (3) decentralized financial systems (MFIs) located in Burkina Faso (1) and Mali (2). These extensions were notably intended to enable them, in collaboration with the national authorities, to complete all of the tasks set out in the terms of reference of their mission, in application of the provisions of Articles 60 and 61 of the banking regulation act as well as Articles 62 and 63 of the act regulating DFSs.

◆ Extension of the term of office of a liquidator

The Supervisory Authority issued one (1) approval notice for the extension of the duration of the liquidation and the term of office of the liquidator of a bank established in Côte d'Ivoire, to enable them to complete all the tasks set out in the terms of reference of their mission, contained in Decision No. 051-09-2018/CB/C of September 18, 2018.

4.2.3.2. Binding notices

◆ Exemptions from the nationality requirement for directors and officers who are not nationals of Member States

During the period under review, the Banking Commission issued the following binding notices to potential candidates for management or administrative positions who were not nationals of WAMU Member States:

- forty-nine (49) notices of assent, for thirty-four (34) directors' positions and fifteen (15) management positions; and
- one (1) unfavorable notice for one management position.

◆ Accreditation and licensing

In fiscal year 2020, the Banking Commission did not receive any applications for accreditation. However, it authorized the establishment in Senegal of a bank based in Côte d'Ivoire.

◆ **Withdrawals of licenses or setting up authorizations**

The Banking Commission issued one (1) formal notice of assent for the withdrawal of a license without liquidation of one (1) bank located in Benin, within the framework of a merger by acquisition.

It also withdrew the setting up authorization of the Côte d'Ivoire branch of one (1) bank based in Benin.

◆ **Merger by acquisition**

Over the period, the Supervisory Authority issued a formal notice of assent to the request for prior authorization for the merger by acquisition of one (1) bank located in Benin, by another credit institution based in the same area.

◆ **Changes in ownership structure**

During the 2020 fiscal year, pursuant to the provisions of Articles 15, 16, 39 and 41 of the banking regulation act, the Banking Commission issued five (5) favorable opinions on applications for prior authorization to change the shareholding structure of credit institutions located in Benin (1), Côte d'Ivoire (1), Mali (2) and Togo (1).

It also issued three (3) unfavorable opinions in response to requests for prior authorization to change the shareholding structure of banks located in Benin (1), Côte d'Ivoire (1) and Togo (1).

◆ **Changes of company names**

The Supervisory Authority issued two (2) favorable opinions in response to applications for prior authorization to change the company name or trade name of two (2) banks located in Benin (1) and Togo (1).

◆ **Partial asset transfers**

The Banking Commission issued a favorable opinion in response to an application for prior authorization for a partial asset transfer from a bank based in Benin to a bank set up in Côte d'Ivoire.

◆ **Extension of the activities of bank-like financial institutions**

The Banking Commission issued a favorable opinion in response to an application for prior authorization submitted by a financial institution located in Togo, for the extension of its business activities to include loan security operations.

4.2.4. Other measures

4.2.4.1. Approval of the appointment or renewal of terms of office of statutory auditors

During fiscal year 2020, the Banking Commission issued decisions approving the appointment or reappointment of statutory auditors (SAs) in:

- fifty-two (52) credit institutions, including three (3) in Benin, seven (7) in Burkina Faso, thirteen (13) in Côte d'Ivoire, (1) in Guinea-Bissau, five (5) in Mali, three (3) in Niger, fifteen (15) in Senegal and five (5) in Togo;
- five (5) financial companies located in Côte d'Ivoire (3) and Togo (2); and
- twenty-two (22) decentralized financial systems (MFIs) located in Benin (4), Burkina Faso (2), Côte d'Ivoire (9), Niger (1), and Togo (6).

4.2.4.2. Other decisions

The Supervisory College also issued the following other decisions during the year under review:

- adoption of the list of systemically important financial institutions;
- publication of the equity capital surcharge applicable to systemically important financial institutions in the Union;

- updating of the list of financial companies in the Union. In this regard, one (1) entity, located in Côte d'Ivoire, was included on the abovementioned list;
- modification of the transition period for the application of the buffer for systemically important financial institutions in the region;
- granting of an exemption from the application of the risk division ratio to a bank-like financial institution established in Togo, up until November 10, 2021;
- refusal to extend the deadline for a bank established in Niger to hold non-operating fixed assets acquired through the realization of guarantees;
- refusal of an application by a bank in Côte d'Ivoire to set up branches in Burkina Faso (1), Mali (1), and Senegal (1);
- withdrawal of the authorization for a bank based in Benin to set up a branch in Côte d'Ivoire, following a favorable assent for a partial transfer of assets from this branch to an Ivorian bank; and
- summonses of officers from credit institutions (6) and MFIs (1), for disciplinary hearings with regard to infringements of the regulations in force or shortcomings noted at the end of audit missions. Two (2) of the abovementioned summonses were reported.

The Banking Commission also adopted the following Circulars:

- Circular No. 001-2020/CB/C of March 27, 2020 on preventive recovery plans for institutions subject to the supervision of the WAMU Banking Commission;
- Circular No. 002-2020/CB/C of September 18, 2020 on the handling of complaints from customers of institutions subject to the supervision of the Banking Commission; and
- Circular No. 003-2020/CB/C of December 9, 2020 on the conditions and modalities of application of the banking crisis resolution regime in the Union.

The supervisory authority also issued the following decisions:

- Decision No. 017-03-2020/CB/C of March 27, 2020, adopting and publishing the list of systemically important financial institutions (SIFIs);
- Decision No. 018-03-2020/CB/C of March 27, 2020, updating the list of financial companies subject to its supervision on a consolidated basis;
- Decision No. 023-03-2020/CB/C of March 27, 2020, on the publication of the capital surcharge applicable to regional systemically important financial institutions; and
- Decision No. 024-03-2020/CB/C of March 27, 2020 on the adoption of the template for resolution plans of institutions subject to the banking crisis resolution regime in the Union.

These decisions were taken following the publication by the Central Bank of Notification No. 001-12-2019 of December 19, 2019 on the methodology for identifying SIFIs in the Union and the calculation of the capital surcharge.

V. RESOLUTION OF BANKING CRISES

5.1. DECISIONS MADE BY THE RESOLUTION COLLEGE

Banking crisis resolution in the Union is governed by the provisions of the Annex to the Convention governing the WAMU Banking Commission.

Crisis resolution actions carried out in fiscal year 2020 were undertaken in the framework of the implementation of the banking crisis resolution system.

In 2020, the Resolution College met on March 27 and December 9. The decisions taken by the Resolution Authority as well as the ensuing actions carried out led to the adoption of a resolution plan template and the issuance of a Circular on the conditions and modalities of application of the banking crisis resolution system in the Union.

The first resolution plans are expected to be produced in 2021, based on the first preventive recovery plans of institutions subject to the resolution regime.

5.1.1. Adoption of a resolution plan template

According to the provisions of the Annex to the Convention governing the WAMU Banking Commission, the Resolution College must develop a resolution plan for each institution subject to the resolution regime, namely systemically important financial institutions (SIFIs).

This plan contains all the measures that may be taken by the College to deal with the failure of the institution concerned, on the basis of the information provided by the latter.

In order to harmonize the presentation of this document, a template, including the elements of the resolution plan, was adopted by the Resolution College at its March 27, 2020 session.

The template is articulated around the summary of the resolution plan, the envisaged resolution strategy, the information necessary for the implementation of the resolution strategy and the measures taken to guarantee the continuity of critical functions. It also includes the financial requirements and funding resources needed to implement the resolution strategy, the communication plan for critical stakeholders and, where applicable, the institution's views on the resolution strategy.

5.1.2. Adoption of a Circular on the conditions and modalities of application of the banking crisis resolution regime in the Union

In its meeting of December 9, 2020, the Resolution College adopted Circular No. 003-2020/CB/C on the conditions and modalities of application of the banking crisis resolution regime in the Union.

The Circular specifies the scope of application of the resolution regime and the conditions for entry into resolution. It details the process for the drafting, assessment and adoption of banking crisis resolution plans by the Resolution College. The Circular also defines provisions relating to resolution instruments and resolution measures.

5.1.3. Review of a draft banking crisis resolution procedure by the Resolution College

At its meeting of December 9, 2020, the Resolution College examined a draft procedure for the resolution of banking crises in the WAMU Union.

This procedure describes the steps to be taken when the Resolution College decides to that a regulated institution that is considered non-viable and with no prospect of returning to normal operations must undergo crisis resolution.

This guide, which is intended for internal use, should help guarantee the tracking and full effectiveness of resolution measures.

5.2. OTHER STEPS

The operationalization of the banking crisis resolution mechanism is contingent on the identification and publication of the list of systemically important financial institutions (SIFIs) as well as the production of preventive recovery plans by those SIFIs, which are the institutions subject to the resolution regime.

5.2.1. Identification and publication of the list of SIFIs and the capital surcharge

SIFIs are the main entities subject to the resolution regime. In this respect, their identification is a necessary step for the application of the banking crisis resolution mechanism.

In accordance with the provisions in force, the Central Bank has developed and disseminated to the banking profession by Notification No. 001-12-2019 of December 19, 2019, a methodology for identifying SIFIs in the Union and determining the capital surcharge.

Pursuant to this Notification, the Supervisory College adopted a list of SIFIs on March 27, 2020 and published it. It also set the capital surcharge applicable to regional SIFIs at 1%, with a transition period from 2020 to 2022.

This period was extended by one year by a Banking Commission Decision on September 18, 2020, due to the COVID-19 health crisis and pursuant to Decision No. 26/06/2020/CM/UMOA of June 26, 2020 of the WAMU Council of Ministers, modifying the prudential framework applicable to credit institutions and financial companies in the WAMU Union.

5.2.2. Production of preventive recovery plans by the regulated institutions

During its meeting of March 27, 2020, the Supervisory College adopted Circular No. 001-2020/CB/C on preventive recovery plans for institutions subject to the supervision of the WAMU Banking Commission.

Preventive recovery plans pertaining to SIFIs that are validated by the Supervisory College are forwarded to the Resolution College. Resolution plans are drawn up on the basis of the preventive recovery plans.

The above-mentioned Circular specifies the periodicity and deadlines for the communication of preventive recovery plans to the Banking Commission, by category of entities.

Where SIFIs are concerned, the first preventive recovery plans must be submitted by January 15, 2021 at the latest. In the meantime, videoconference sessions were held with the regulated institutions in 2020, to raise their awareness and to assist them in the preparation of their first preventive recovery plans.

5.2.3. Next steps in the implementation of the banking crisis resolution system

The next steps in the implementation of the banking crisis resolution mechanism in the WAMU Union primarily involve the drafting of resolution plans for institutions subject to the resolution regime, based on the template validated by the Resolution College.

VI. COOPERATION AND TRAINING ACTIVITIES

6.1. COOPERATION ACTIVITIES

The changes in the banking landscape in the Union in recent years, marked in particular by the establishment of subsidiaries of cross-border banking groups, have given rise to new challenges in terms of supervision and strengthening of cooperation with counterpart supervisory bodies.

In addition, the COVID-19 pandemic has highlighted the need to further strengthen such cooperation in order to better address cross-border risks.

6.1.1. Implementation of cooperation agreements

As part of the implementation of cooperation agreements, the General Secretariat of the WAMU Banking Commission attended the 8th annual bilateral meeting with the General Secretariat of the Banking Commission of Central Africa (COBAC), which was held by videoconference on November 3, 2020.

Due to the COVID-19 health crisis, no joint audits were conducted with other banking supervisory bodies during the year.

6.1.2. Relations with groups of banking supervisors

The Supervisory Authority continued to strengthen its cooperative relationships with foreign supervisors and regulators through several meetings held as part of the implementation of the Basel Committee's recommendations for effective supervision of cross-border banking groups.

In this respect, the Banking Commission, in its capacity as home supervisor, organized the following meetings by videoconference:

- the 6th meeting of the College of Supervisors of Oragroup, on October 15, 2020; and
- the 6th meeting of the College of Supervisors of the Ecobank group, on October 29-30, 2020.

The SGCB also attended six (6) meetings, via videoconference, of the supervisory colleges of foreign banking groups with subsidiaries in the Union. These notably included:

- the meeting of the universal college of supervisors of Standard Chartered Bank subsidiaries, on July 9, 2020;
- the inaugural meeting of the college of supervisors of the Guaranty Trust Bank Group (GTBank), on August 12 and 13, 2020;
- the meeting of the college of supervisors of Banque Centrale Populaire (BCP) group subsidiaries, on November 5, 2020;
- the meeting of the college of supervisors of the BMCE Bank Of Africa group subsidiaries, on December 4, 2020;
- the meeting of the college of supervisors of the subsidiaries of BGFIBank Holding, on December 4, 2020; and
- the meeting of the college of supervisors of the subsidiaries of the Attijariwafa Bank group (AWB), on December 18, 2020.

The Supervisory Authority also participated in the following meetings:

- 36th meeting of the College of Supervisors of the West African Monetary Zone (CSWAMZ), on February 6-14, 2020, in Freetown, Sierra Leone;
- a videoconference organized by the College of Supervisors of the West African Monetary Zone (WAMZ), on July 14, 2020, to analyze the approaches of the regulatory and supervisory authorities in the context of the COVID-19 health crisis;
- 37th meeting of the College of Supervisors of the West African Monetary Zone (CSWAMZ), from August 31 to September 13, 2020, by videoconference;

- 5th meeting of the working group organized by videoconference by the Community of African Banking Supervisors (CABS), on “oversight of Anti-Money Laundering and Anti-Terrorist Financing (AML/CFT)”, December 2-4, 2020; and
- the plenary meeting of the Groupe des Superviseurs Bancaires Francophones (GSBF), on December 7, 2020, by videoconference.

6.1.3. Relations with other supervisory bodies and financial institutions

Apart from initiatives taken in the framework of the implementation of cooperation agreements and participation in the activities of groups of supervisors, the SGCB attended the following meetings, most of which were held virtually:

- the 15th high-level meeting on “Strengthening financial sector supervision and current regulatory priorities”, held in Cape Town, South Africa, on January 30-31, 2020;
- the 1st annual meeting of the Franc Zone Liaison Committee on Money Laundering (CLAB) for 2020, in Yaoundé, Cameroon, on February 24, 2020;
- a meeting of the CABS working group on “Banking crisis resolution and FinTech”, by videoconference, from March 30 to April 3, 2020;
- the spring meetings of the IMF and the World Bank, by videoconference, from April 14-17, 2020;
- a high-level meeting entitled “Responses of African Regulatory Authorities to COVID-19”, organized by the Financial Stability Institute, on June 30, 2020, via videoconference;
- the 17th ordinary session of the WAMU Financial Stability Committee, by videoconference, on August 26, 2020;
- conferences on the repercussions of the COVID-19 pandemic, organized by the Financial Action Task Force (FATF), on July 30 and 31, 2020, by videoconference;
- the 33rd GIABA Technical Commission/Plenary meeting, August 24-28, 2020, via videoconference;
- the 21st International Conference of Banking Supervisors, jointly organized by the Basel Committee on Banking Supervision and the Bank of Canada, on October 19-22, 2020, by videoconference;
- the 2nd annual meeting of the Franc Zone Liaison Committee on Money Laundering (CLAB) by videoconference, on October 20, 2020;
- the annual meetings of the IMF and the World Bank, by videoconference, October 12-18, 2020;
- a meeting of Ministers of Finance and Governors on November 2, 2020, via videoconference;
- a working session with an IMF delegation in the context of the regional consultations under Article IV of the IMF’s Articles of Agreement, November 9, 2020, by videoconference; and
- the 18th ordinary session of the Financial Stability Committee, by videoconference, on December 14, 2020.

6.2. TRAINING ACTIVITIES

As in previous years, the General Secretariat of the Banking Commission focused on capacity building for its staff through the organization of and participation in training sessions.

6.2.1. Internal training and seminars

In-house training seminars related to banking supervision were organized in collaboration with partner institutions. They focused on the following themes:

- on-site credit risk audit, January 20-24, 2020;
- development of an AML/CFT on-site audit methodology, January 27-31, 2020;
- workshop on the transition to International Financial Reporting Standards (IFRS), February 19-28, 2020;
- seminar on "Individual and Consolidated Financial Statements" (1st session), March 2-6, 2020;
- seminar on "Individual and Consolidated Financial Statements" (2nd session), March 23-27, 2020;
- online consultation on the draft instructions on accounting treatment of Islamic finance transactions, April 1-2, 2020;
- online workshop on the governance of Islamic financial institutions, on June 18, 2020;
- webinar on the impact of COVID-19 on the microfinance sector, July 17, 2020;
- webinar on conducting monetary policy in a health crisis, July 24, 2020;
- on-line training on the interoperability of digital financial services, September 21-25, 2020;
- awareness-raising on the "code of ethics and professional conduct (CEPC)" with a presentation on "specific rules of conduct complementary to the CEPC", by videoconference, on September 29 and 30, 2020;
- webinar on "Governance and Compliance" in October and December 2020;
- training session on "Individual and consolidated financial statements", via webinar, December 7-11, 2020; and
- training on "Accounting procedures and rules for electronic money transactions", December 21-22, 2020.

6.2.2. External training and seminars

The General Secretariat of the Banking Commission participated in virtual external training sessions and seminars organized by organizations and institutions, including:

- workshop on "Digitization of financial services and new challenges in the fight against money laundering and terrorism financing -AML/CFT", organized by Bank Al-Maghrib in Rabat, Morocco, on January 28-29, 2020;
- seminar on "Approaches to banking supervision in the context of climate change", hosted by the Toronto Center on June 23, 2020;
- seminar on "Banking supervision in unprecedented times: COVID-19, Fintech, climate change and resolution", hosted by the Toronto Center on July 6-10, 2020;
- workshop on Islamic branch banking, organized by the Islamic Financial Services Board, on July 9, 2020;
- webinar on new AML/CFT risks generated by the health crisis, organized by the FATF on July 30, 2020;
- webinar on the detection and management of AML/CFT in the context of the health crisis, July 31, 2020, organized by the FATF;

- online conferences on the impact of the COVID-19 pandemic, organized by the FATF, on July 30-31, 2020;
- a banking regulation and supervision course jointly organized by the Bank for International Settlements' Financial Stability Institute and the IMF, from September 3, 2020 to January 31, 2021;
- an AML/CFT course organized by the International Banking and Finance Institute (IBFI) on September 10, 2020;
- seminars on AML/CFT, organized by the FATF, on September 14-15, 2020;
- an online course on AML/CFT organized by the IBFI, on December 8-11, 2020; and
- an online course on stress testing organized by the IBFI, on December 14-18, 2020.
